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**Power Financial Group Limited**  
**權威金融集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 397)**

**ANNOUNCEMENT OF FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2019:

- The Group recorded revenue of approximately HK\$84,172,000 (2018: HK\$41,613,000).
- Loss attributable to owners of the Company amounted to approximately HK\$71,651,000 (2018: HK\$500,918,000 (restated)). The loss was principally attributable to the losses arising on fair value changes of financial assets at fair value through profit or loss of approximately HK\$68,884,000 (2018: HK\$389,366,000 (restated)).
- The Board does not recommend the payment of any dividend.

At 31 December 2019:

- The Group held debt instruments at fair value through other comprehensive income of approximately HK\$307,320,000 (2018: HK\$343,378,000).
- The Group held financial assets at fair value through profit or loss of approximately HK\$249,128,000 (2018: HK\$420,696,000 (restated)).
- The Group held bank balances and cash of approximately HK\$389,225,000 (2018: HK\$224,543,000), loans and interest receivables of approximately HK\$363,490,000 (2018: HK\$404,849,000) respectively.
- Net current assets amounted to approximately HK\$1,034,024,000 (2018: HK\$1,037,949,000). Current ratio (defined as total current assets divided by total current liabilities) was 21.44 times (2018: 17.85 times).
- Net assets amounted to approximately HK\$1,383,677,000 (2018: HK\$1,445,390,000).
- The Group had borrowings of approximately HK\$20,800,000 (2018: HK\$37,400,000).

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Power Financial Group Limited (the “Company”) announces the audited consolidated final results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019, together with restated comparative figures for the year ended 31 December 2018, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>Revenue</b>	4	<b>84,172</b>	41,613
Direct operating costs		<u>(10,056)</u>	<u>(12,193)</u>
<b>Gross profit</b>		<b>74,116</b>	29,420
Other income, gains and losses	6	<b>(60,870)</b>	(411,891)
Administrative expenses		<b>(81,386)</b>	(82,334)
Share of results of associates		<b>1,205</b>	(28,430)
Finance costs	7	<u><b>(2,498)</b></u>	<u>(6,917)</u>
Loss before tax	8	<b>(69,433)</b>	(500,152)
Income tax expense	9	<u><b>(1,810)</b></u>	<u>(810)</u>
<b>Loss for the year</b>		<u><b>(71,243)</b></u>	<u>(500,962)</u>
<b>Other comprehensive income for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		–	(451)
Release of translation reserve upon disposal of a foreign operation		<b>216</b>	–
Share of other comprehensive income of associates		<b>(1,660)</b>	(8,337)
Fair value changes of debt instruments at fair value through other comprehensive income		<b>2,826</b>	(4,309)
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes of equity instruments at fair value through other comprehensive income		<u>–</u>	<u>(8,794)</u>
Other comprehensive income for the year, net of income tax		<u><b>1,382</b></u>	<u>(21,891)</u>
<b>Total comprehensive income for the year</b>		<u><b>(69,861)</b></u>	<u><b>(522,853)</b></u>

		<b>2019</b>	2018
	<i>NOTES</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i> (Restated)
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		<b>(71,651)</b>	(500,918)
Non-controlling interests		<u><b>408</b></u>	<u>(44)</u>
		<b><u>(71,243)</u></b>	<b><u>(500,962)</u></b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>(70,269)</b>	(522,809)
Non-controlling interests		<u><b>408</b></u>	<u>(44)</u>
		<b><u>(69,861)</u></b>	<b><u>(522,853)</u></b>
<b>Loss per share</b>			
– Basic and diluted ( <i>HK cents</i> )	11	<b><u>(2.57)</u></b>	<b><u>(16.30)</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

		<b>31 December 2019</b>	31 December 2018	1 January 2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		<b>58,638</b>	58,924	59,878
Goodwill		<b>136</b>	808	808
Interests in associates		<b>–</b>	455	37,222
Loans and interest receivables	12	<b>226</b>	1,357	–
Financial assets at fair value through profit or loss		<b>86,750</b>	198,961	313,017
Equity instruments at fair value through other comprehensive income		<b>–</b>	–	13,325
Debt instruments at fair value through other comprehensive income		<b>191,688</b>	184,181	–
Other receivables	13	<b>12,197</b>	–	–
Other assets		<b>180</b>	155	225
		<b>349,815</b>	444,841	424,475
<b>CURRENT ASSETS</b>				
Loans and interest receivables	12	<b>363,264</b>	403,492	29,098
Amounts due from associates		<b>–</b>	–	37,166
Trade and other receivables	13	<b>35,705</b>	39,051	38,151
Tax recoverable		<b>2,508</b>	2,092	2,951
Debt instruments at fair value through other comprehensive income		<b>115,632</b>	159,197	–
Financial assets at fair value through profit or loss		<b>162,378</b>	221,735	765,733
Bank trust account balances		<b>15,899</b>	49,439	19,283
Bank balances and cash		<b>389,225</b>	224,543	863,552
		<b>1,084,611</b>	1,099,549	1,755,934
<b>CURRENT LIABILITIES</b>				
Trade and other payables	14	<b>23,956</b>	61,600	28,800
Tax payable		<b>2,226</b>	–	–
Borrowings		<b>20,800</b>	–	100,000
Lease liability		<b>3,605</b>	–	–
		<b>50,587</b>	61,600	128,800

	<b>31 December 2019</b>	31 December 2018	1 January 2018
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i> (Restated)
<b>NET CURRENT ASSETS</b>	<b><u>1,034,024</u></b>	<u>1,037,949</u>	<u>1,627,134</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b><u>1,383,839</u></b>	<u>1,482,790</u>	<u>2,051,609</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	–	37,400	37,400
Lease liability	<u>162</u>	<u>–</u>	<u>–</u>
	<u>162</u>	<u>37,400</u>	<u>37,400</u>
<b>NET ASSETS</b>	<b><u><u>1,383,677</u></u></b>	<b><u><u>1,445,390</u></u></b>	<b><u><u>2,014,209</u></u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	27,836	27,836	30,864
Reserves	<u>1,353,970</u>	<u>1,416,091</u>	<u>1,978,463</u>
<b>Equity attributable to owners of the Company</b>	<b>1,381,806</b>	1,443,927	2,009,327
Non-controlling interests	<u>1,871</u>	<u>1,463</u>	<u>4,882</u>
<b>TOTAL EQUITY</b>	<b><u><u>1,383,677</u></u></b>	<b><u><u>1,445,390</u></u></b>	<b><u><u>2,014,209</u></u></b>

## NOTES

### 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is situated at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda, and its head office and principal place of business in Hong Kong is situated at Units 3910-13, 39/F, COSCO Tower, 183 Queen’s Road Central, Hong Kong.

The Group is principally engaged in financial services business, money lending business and assets investment.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

#### Adoption of new/revised HKFRSs – effective 1 January 2019

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKAS 23, Borrowing Costs

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

### ***HKFRS 16 – Leases (“HKFRS 16”)***

#### ***(i) Impact of the adoption of HKFRS 16***

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised as right-of-use assets presented in “property, plant and equipment”, and lease liabilities separately presented in the consolidated statement of financial position, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initial applying HKFRS 16 as an adjustment to the opening balance of accumulated losses, if any, at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

<b>Consolidated statement of financial position as at 1 January 2019</b>	<b>Increase in: HK\$'000</b>
Property, plant and equipment	7,281
Lease liability (non-current)	3,767
Lease liability (current)	3,514

The following reconciliation explains how the operating lease commitment disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liability at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019. The incremental borrowing rate applied to the lease liability on 1 January 2019 was 7%:

<b>Reconciliation of operating lease commitment to lease liability</b>	<b>HK\$'000</b>
Operating lease commitment as at 31 December 2018	7,824
Less: total future interest expense	(543)
Lease liability as at 1 January 2019	7,281

(ii) *The new definition of lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) *Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised as right-of-use assets presented in “property, plant and equipment”, and lease liabilities separately presented in the consolidated statement of financial position, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term .

The Group recognised right-of-use assets and a lease liability at the commencement date of a lease.

*Right-of-use assets*

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.



## Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the underlying right-of-use assets during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

### (iv) *Transition*

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective method and recognised the right-of-use assets at the amount equal to the lease liability, adjusted by amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. As far as the Group is concerned, the newly capitalised leases are primarily in relation to property, plant and equipment.

The Group has also applied the following practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (ii) excluded the initial direct costs from the measurement of the right-of-use assets at 1 January 2019; and (iii) relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment assessment when measuring the right-of-use assets at the date of initial application of HKFRS 16.

In addition, the Group (i) has applied HKFRS 16 to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; and (ii) has not applied HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

## **New/revised HKFRSs that have been issued but are not yet effective**

The following new/revised HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

### ***Amendments to HKFRS 3 – Definition of a Business***

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

### ***Amendments to HKAS 1 and HKAS 8 – Definition of Material***

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

### ***Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform***

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

## ***HKFRS 17 – Insurance Contracts***

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

## ***Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

## **4. REVENUE**

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

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Interest income from money lending	<b>48,274</b>	20,340
Interest income from bond investments	<b>27,794</b>	13,877
Income from financial services		
– Commission income from securities brokerage	<b>1,987</b>	1,138
– Commission income from placing and underwriting	–	51
– Corporate finance advisory services	–	2,050
– Interest income from clients	<b>6,117</b>	4,157
	<b>84,172</b>	41,613

An analysis of the Group's revenue for the year under HKFRS 15 is as follows:

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Income from financial services		
– Commission income from securities brokerage	<b>1,987</b>	1,138
– Commission income from placing and underwriting	–	51
– Corporate finance advisory services	–	2,050
	<b>1,987</b>	3,239

## 5. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance.

The Group reportable segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Financial services segment – Provision of financial services including securities brokerage, placing and underwriting, and corporate finance advisory services in Hong Kong;
- Money lending segment – Provision of loan financing in Hong Kong; and
- Assets investment segment – Investments in debt securities earning fixed interest income, as well as investments in listed and unlisted equity securities, options and investment funds earning variable returns and gains.

### Segment revenues and results

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

#### For the year ended 31 December 2019

	Financial services segment <i>HK\$'000</i>	Money lending segment <i>HK\$'000</i>	Assets investment segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
– Revenue from external customers	8,104	48,274	27,794	84,172
<b>Other income, gains and losses</b>				
– Dividend income from listed equity securities and unlisted investment funds	–	–	2,011	2,011
– Fair value changes of financial assets at fair value through profit or loss (“FVTPL”)	–	–	(68,884)	(68,884)
	<u>8,104</u>	<u>48,274</u>	<u>(39,079)</u>	<u>17,299</u>
<b>Results</b>				
Segment results	(26,902)	30,248	(69,005)	(65,659)
Unallocated corporate income				1,425
Unallocated corporate expenses				(3,906)
Finance costs				(2,498)
Share of results of associates				1,205
Loss before tax				<u>(69,433)</u>

For the year ended 31 December 2018 (Restated)

	Financial services segment <i>HK\$'000</i>	Money lending segment <i>HK\$'000</i>	Assets investment segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
– Revenue from external customers	7,396	20,340	13,877	41,613
<b>Other income, gains and losses</b>				
– Dividend income from listed equity securities and unlisted investment funds	–	–	14,197	14,197
– Fair value changes of financial assets at FVTPL	–	–	(389,366)	(389,366)
	<u>7,396</u>	<u>20,340</u>	<u>(361,292)</u>	<u>(333,556)</u>
<b>Results</b>				
Segment results	(24,072)	11,971	(408,998)	(421,099)
Unallocated corporate income				1,163
Unallocated corporate expenses				(44,869)
Finance costs				(6,917)
Share of results of associates				<u>(28,430)</u>
Loss before tax				<u><u>(500,152)</u></u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 December 2019 (2018: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit/(loss) from each segment without allocation of directors' emoluments, certain other income, gains and losses and certain administrative expenses, finance costs and share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## Segment assets and liabilities

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Segment assets</b>		
Financial services segment	<b>35,227</b>	89,687
Money lending segment	<b>363,690</b>	404,297
Assets investment segment	<b>726,920</b>	916,847
	<hr/>	<hr/>
Total segment assets	<b>1,125,837</b>	1,410,831
Unallocated		
– Bank balances and cash	<b>301,087</b>	127,138
– Other unallocated assets	<b>7,502</b>	6,421
	<hr/>	<hr/>
Consolidated total assets	<b>1,434,426</b>	1,544,390
	<hr/> <hr/>	<hr/> <hr/>
<b>Segment liabilities</b>		
Financial services segment	<b>19,182</b>	51,937
Money lending segment	<b>1,135</b>	818
Assets investment segment	<b>23,930</b>	8,417
	<hr/>	<hr/>
Total segment liabilities	<b>44,247</b>	61,172
Unallocated	<b>6,502</b>	37,828
	<hr/>	<hr/>
Consolidated total liabilities	<b>50,749</b>	99,000
	<hr/> <hr/>	<hr/> <hr/>

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

- all assets are allocated to operating segments other than other assets, certain property, plant and equipment, bank balances and cash, amounts due from associates, interests in associates and tax recoverable which are not allocated to segment assets; and
- all liabilities are allocated to operating segments other than borrowings, lease liability and tax payable which are not allocated to segment liabilities.

## Other segment information

For the year ended 31 December 2019

	Financial services segment <i>HK\$'000</i>	Money lending segment <i>HK\$'000</i>	Assets investment segment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	600	–	8	–	608
Interest income	6,117	48,274	27,794	1,425	83,610
Interest expenses	–	–	–	(2,498)	(2,498)
Income tax expense	–	(1,810)	–	–	(1,810)
Depreciation of property, plant and equipment	(2,653)	(56)	(17)	(5,449)	(8,175)
Fair value changes of debt instruments at fair value through other comprehensive income ("FVOCI")	–	–	(8,756)	–	(8,756)
Impairment loss on trade and other receivables	(2,678)	–	–	–	(2,678)
Impairment loss on loans and interest receivables	–	(4,820)	–	–	(4,820)
Impairment loss on debt instruments at FVOCI	–	–	(11,582)	–	(11,582)
Impairment loss on goodwill	(672)	–	–	–	(672)
Recovery of impairment loss on trade receivables	20	–	–	–	20
	<u>20</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>20</u>

For the year ended 31 December 2018 (Restated)

	Financial services segment <i>HK\$'000</i>	Money lending segment <i>HK\$'000</i>	Assets investment segment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	5,900	23	29	4	5,956
Impairment loss on amounts due from associates	–	–	–	(37,335)	(37,335)
Interest income	4,157	20,340	13,877	1,163	39,537
Interest expenses	–	–	–	(6,917)	(6,917)
Income tax expense	–	(810)	–	–	(810)
Depreciation of property, plant and equipment	(1,942)	(61)	(2,153)	(113)	(4,269)
Fair value changes of debt instruments at FVOCI	–	–	(4,309)	–	(4,309)
Impairment loss on trade and other receivables	(2,492)	–	(903)	(761)	(4,156)
Recovery of impairment loss on trade receivables	18	–	–	–	18
	<u>18</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>18</u>

*Note:* Non-current assets excluded interests in associates and financial instruments.

## Geographical information

The Group's revenue from external customers and non-current assets are all located in Hong Kong as all the customers and the assets are located in Hong Kong. Accordingly, no geographical information is presented.

## Information about major customers

There was no customer that contributed to 10% or more of the Group's revenue for the years ended 31 December 2019 and 2018.

## Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by timing over revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

	Financial services segment		Money lending segment		Assets investment segment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Timing of revenue recognition under HKFRS 15								
– At a point in time	1,987	1,539	–	–	–	–	1,987	1,539
– Over time	–	1,700	–	–	–	–	–	1,700
	<u>1,987</u>	<u>3,239</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,987</u>	<u>3,239</u>

## 6. OTHER INCOME, GAINS AND LOSSES

	2019 HK\$'000	2018 HK\$'000 (Restated)
Interest income	1,425	1,163
Sundry income	7,065	257
Dividend income from unlisted investment funds	169	1,449
Dividend income from listed equity securities	1,842	12,748
Fair value changes of financial assets at FVTPL	(68,884)	(389,366)
Gain/(loss) on disposal of debt instruments at FVOCI	4,066	(732)
Impairment loss on amounts due from associates	–	(37,335)
Loss on disposal of subsidiaries	–	32
Loss on deregistration of subsidiaries	(374)	(107)
Loss on deemed disposal of interests in associates	(6,179)	–
	<u>(60,870)</u>	<u>(411,891)</u>

## 7. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on loan notes	2,100	6,917
Interest on lease liability	398	–
	<u>2,498</u>	<u>6,917</u>



## 8. LOSS BEFORE TAX

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss for the year has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments, excluding equity-settled share-based payments	13,366	8,782
Other staff costs	14,651	16,529
Other staff retirement benefits scheme contributions	398	226
Equity-settled share-based payments (including Directors' equity-settled share-based payments)	1,969	555
	<u>30,384</u>	<u>26,092</u>
Auditor's remuneration	1,620	1,758
Depreciation of property, plant and equipment	8,175	4,269
Loss on disposal of property, plant and equipment	–	2,370
Operating lease rentals in respect of land and buildings	–	3,764
Exchange loss/(gain), net	34	(671)
Impairment loss on loans and interest receivables	4,820	–
Impairment loss on debt instruments at FVOCI	11,582	–
Impairment loss on trade and other receivables	2,678	4,156
Impairment loss on amounts due from associates	–	37,335
Impairment loss on goodwill	672	–
Recovery of impairment loss on trade receivables	(20)	(18)
	<u><u>30,384</u></u>	<u><u>26,092</u></u>

## 9. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits Tax	1,810	810
	<u>1,810</u>	<u>810</u>
Tax expense for the year	<u><u>1,810</u></u>	<u><u>810</u></u>

Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK\$2,000,000 for the years ended 31 December 2019 and 2018. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime continued to be taxed at 16.5% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

## 11. LOSS PER SHARE

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

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000 (Restated)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	<b><u>(71,651)</u></b>	<b><u>(500,918)</u></b>
	<b>2019</b> <b>'000</b>	2018 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b><u>2,783,553</u></b>	<b><u>3,073,928</u></b>

The weighted average number of ordinary shares for the year ended 31 December 2018 for the purpose of basic loss per share has been adjusted to reflect the shares cancellation completed on 17 December 2018.

The computation of diluted loss per share for the years ended 31 December 2019 and 2018 did not assume the exercise of outstanding share options of the Company since the assumed exercise would result in a decrease in loss per share.

## 12. LOANS AND INTEREST RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Fixed-rate loan receivables	363,248	402,207
Accrued interest receivables	<u>5,062</u>	<u>2,642</u>
	<b>368,310</b>	404,849
Less: provision for impairment loss on loans and interest receivables	<u>(4,820)</u>	<u>–</u>
	<b><u>363,490</u></b>	<b><u>404,849</u></b>
Analysed for reporting purpose as:		
Current assets	363,264	403,492
Non-current assets	<u>226</u>	<u>1,357</u>
	<b><u>363,490</u></b>	<b><u>404,849</u></b>

As at 31 December 2019, loans and interest receivables of approximately HK\$308,948,000 (2018: HK\$359,668,000) were secured by assets under legal charges and approximately HK\$24,140,000 (2018: HK\$45,181,000) were guaranteed by certain independent third parties, while remaining loans and interest receivables of approximately HK\$30,402,000 (2018: Nil) were unsecured. The interest rates on all loans receivables are fixed ranging from 9% to 30% (2018: 7% to 21.2%) per annum and loans receivables are due within 1 to 46 months (2018: 1 to 58 months).

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and imposes credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

The Directors consider that the fair values of loans and interest receivables are not materially different from their carrying amounts.

A maturity profile of the loans and interest receivables based on the maturity date at the end of reporting period is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 year	363,264	403,492
More than 1 year but less than 5 years	<u>226</u>	<u>1,357</u>
	<b><u>363,490</u></b>	<b><u>404,849</u></b>

Approximately 84.95% (2018: 88.84%) of loans and interest receivables were fully secured by collaterals. Also, approximately 6.64% (2018: 11.16%) of loans and interest receivables were fully secured by personal guarantee.

As at 31 December 2019 and 2018, the collaterals for those secured loans are landed properties in Hong Kong and shares of certain listed and unlisted companies.

Stage analysis on allowance for impairment loss on loans and interest receivables:

	<b>12-months ECL (Stage 1) HK\$'000</b>	<b>Lifetime ECL not credit- impaired (Stage 2) HK\$'000</b>	<b>Lifetime ECL credit- impaired (Stage 3) HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 January 2018, 31 December 2018 and 1 January 2019	–	–	–	–
Net assets originated ( <i>note (a)</i> )	–	–	4,820	4,820
As at 31 December 2019	<b>–</b>	<b>–</b>	<b>4,820</b>	<b>4,820</b>

The table below details the credit risk exposures of the Group's loans and interest receivables, which are subject to expected credit losses ("ECL") assessment:

	<b>12-months ECL (Stage 1) HK\$'000</b>	<b>Lifetime ECL not credit- impaired (Stage 2) HK\$'000 (<i>note (b)</i>)</b>	<b>Lifetime ECL credit- impaired (Stage 3) HK\$'000</b>	<b>Total HK\$'000</b>
<b>Gross carrying amount</b>				
As at 31 December 2018	404,849	–	–	404,849
As at 31 December 2019	<b>310,240</b>	<b>53,250</b>	<b>4,820</b>	<b>368,310</b>

*Notes:*

- (a) During the year ended 31 December 2019, new origination of loans and interest receivables with gross amount of approximately HK\$4,820,000 were transferred and classified under Stage 3. The results in an increase in loss allowance of approximately HK\$4,820,000 as at year ended.
- (b) For the gross loans and interest receivables of Stage 2, the Directors believed that the amount was recoverable, after taking into account of the recent market price of properties similar to the collateral being sufficient to cover the entire outstanding balance as at 31 December 2019.

### 13. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables from:		
Financial services operation		
– Cash clients ( <i>Note (a)</i> )	565	1,443
– Margin clients ( <i>Note (b)</i> )	48,993	65,619
– Clearing house ( <i>Note (a)</i> )	1,030	279
Less: provision for impairment loss on trade receivables	<u>(35,333)</u>	<u>(32,675)</u>
	15,255	34,666
Other receivables ( <i>Note (c)</i> )	<u>32,647</u>	<u>4,385</u>
Total trade and other receivables	<u><b>47,902</b></u>	<u><b>39,051</b></u>
Analysed for reporting purpose as:		
Current assets		
Non-current assets	35,705	39,051
	<u>12,197</u>	<u>–</u>
	<u><b>47,902</b></u>	<u><b>39,051</b></u>

#### Notes:

- (a) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are one or two days after the respective trade date.

Receivables that were past due but not impaired represent unsettled trade transactions on the last two days prior to the end of reporting period and also relates to a wide range of independent clients for whom there are no recent history of default.

An analysis of changes in the corresponding ECL allowances is as follows:

	12-months ECL (Stage 1) <i>HK\$'000</i>	Lifetime ECL not credit- impaired (Stage 2) <i>HK\$'000</i>	Lifetime ECL credit- impaired (Stage 3) <i>HK\$'000</i>	Impairment allowance under HKAS 39 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2018	–	–	–	297	297
Restated on adoption of HKFRS 9	–	297	–	(297)	–
Recovery of impairment loss during the year	<u>–</u>	<u>(18)</u>	<u>–</u>	<u>–</u>	<u>(18)</u>
As at 31 December 2018 and 1 January 2019	–	279	–	–	279
Recovery of impairment loss during the year	<u>–</u>	<u>(20)</u>	<u>–</u>	<u>–</u>	<u>(20)</u>
As at 31 December 2019	<u><b>–</b></u>	<u><b>259</b></u>	<u><b>–</b></u>	<u><b>–</b></u>	<u><b>259</b></u>

The table below details the credit risk exposures of the Group's trade receivables from cash clients and clearing house, which are subject to ECL assessment:

	<b>12-months ECL (Stage 1) HK\$'000</b>	<b>Lifetime ECL not credit- impaired (Stage 2) HK\$'000</b>	<b>Lifetime ECL credit- impaired (Stage 3) HK\$'000</b>	<b>Total HK\$'000</b>
<b>Gross carrying amount</b>				
As at 31 December 2018	<u>1,443</u>	<u>279</u>	<u>–</u>	<u>1,722</u>
As at 31 December 2019	<u><b>1,336</b></u>	<u><b>259</b></u>	<u><b>–</b></u>	<u><b>1,595</b></u>

- (b) Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading and bear interests at commercial rates. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. The margin ratio is reviewed and determined periodically. As at 31 December 2019, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK\$63,157,000 (2018: HK\$164,681,000).

No ageing analysis is disclosed as, in the opinion of the Directors, the ageing analysis is not meaningful in the view of the revolving nature of securities business.

An analysis of changes in the corresponding ECL allowances is as follow:

	<b>12-months ECL (Stage 1) HK\$'000</b>	<b>Lifetime ECL not credit- impaired (Stage 2) HK\$'000</b>	<b>Lifetime ECL credit- impaired (Stage 3) HK\$'000</b>	<b>Impairment allowance under HKAS 39 HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 January 2018	–	–	–	29,904	29,904
Restated on adoption of HKFRS 9	–	29,904	–	(29,904)	–
Other remeasurement of loss allowance	<u>–</u>	<u>2,492</u>	<u>–</u>	<u>–</u>	<u>2,492</u>
As at 31 December 2018 and 1 January 2019	–	32,396	–	–	32,396
Other remeasurement of loss allowance	<u>–</u>	<u>2,678</u>	<u>–</u>	<u>–</u>	<u>2,678</u>
As at 31 December 2019	<u><b>–</b></u>	<u><b>35,074</b></u>	<u><b>–</b></u>	<u><b>–</b></u>	<u><b>35,074</b></u>

The table below details the credit risk exposures of the Group's trade receivables from margin clients, which are subject to ECL assessment:

	<b>12-months ECL (Stage 1) HK\$'000</b>	<b>Lifetime ECL not credit- impaired (Stage 2) HK\$'000</b>	<b>Lifetime ECL credit- impaired (Stage 3) HK\$'000</b>	<b>Total HK\$'000</b>
<b>Gross carrying amount</b>				
As at 31 December 2018	<u>33,223</u>	<u>32,396</u>	<u>–</u>	<u>65,619</u>
As at 31 December 2019	<u>13,919</u>	<u>35,074</u>	<u>–</u>	<u>48,993</u>

The Group seeks to maintain tight control over its outstanding trade receivables in order to minimise credit risk.

- (c) As at 31 December 2019, the balance included an amount receivable of approximately HK\$25,411,000 from an independent third party in respect of the disposal of an investment fund (2018: Nil). Given there is no history of default from these counterparties, the Directors are of the opinion that the risk of default is not significant, Therefore, ECL of the other receivables is assessed to be immaterial.

#### 14. TRADE AND OTHER PAYABLES

	<b>2019 HK\$'000</b>	<b>2018 HK\$'000</b>
Trade payables from:		
Financial services operation		
– Cash Clients ( <i>Note (a) and (b)</i> )	<b>2,606</b>	7,824
– Margin Clients ( <i>Note (a) and (b)</i> )	<b>13,876</b>	41,005
– Clearing house ( <i>Note (a) and (b)</i> )	<u><b>568</b></u>	<u>646</u>
	<b>17,050</b>	49,475
Other payables	<b>511</b>	7,290
Accruals	<u><b>6,395</b></u>	<u>4,835</u>
Total trade and other payables	<u><b>23,956</b></u>	<u>61,600</u>

*Notes:*

- (a) The majority of the trade payables are repayable on demand except where certain balances payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.
- (b) The settlement terms of trade payables arising from the ordinary course of business of dealing in securities from clients and clearing house are two days after trade date.
- (c) No ageing analysis is disclosed as, in the opinion of the Directors, the ageing analysis is not meaningful in view of the nature of these businesses.

## 15. CONTINGENT LIABILITIES

### (i) Writ of summons by Convoy Global Holdings Limited

Classictime Investments Limited (“Classictime”), a wholly-owned subsidiary of the Company, is the 24th Defendant in a writ of summons served on 19 December 2017 on behalf of Convoy Global Holdings Limited (“Convoy”, the 1st Plaintiff), Convoy Collateral Limited (“CCL”, the 2nd Plaintiff) and CSL Securities Limited (“CSL”, the 3rd Plaintiff) (collectively, the “Plaintiffs”) in a set of legal proceedings brought by the Plaintiffs in the High Court of Hong Kong (the “Convoy HC Action”). It is the Plaintiffs’ case that, amongst other things, the 1st Defendant, Mr. Cho Kwai Chee Roy, and his associates (who are named as co-defendants in the Convoy HC Action) implemented a scheme such that shares in Convoy would be allotted to and held by companies related to the 1st Defendant (the “Placees”) which had agreed to act upon the direction of the 1st Defendant. The Plaintiffs alleged that the 1st Defendant and his associates on the board of Convoy, CCL and/or CSL improperly used their power to allot shares and to grant loans to the detriment of the Convoy Group, constituting serious breaches of fiduciary duties or other director’s duties, dishonest assistance, unlawful and/or lawful means conspiracy. Classictime is one of the alleged Placees in the Convoy HC Action. The Plaintiffs, amongst other things, seek an order against Classictime that the allotment of shares to Classictime be set aside, together with damages, interests, costs, and further and/or other relief. As at the date of this announcement, pleadings is deemed to be closed but discovery has not taken place.

Please refer to the Company’s announcement dated 20 December 2017 for more details.

### (ii) Zhu Xiao Yan Petition

Classictime is one of the thirty three respondents in a petition made by Zhu Xiao Yan as the petitioner (“Petitioner”) under a set of legal proceedings in the High Court of Hong Kong (“Petition”). In summary, the Petitioner alleged that the detriment suffered by her to the real value of her shares in Convoy was a consequence of the unfairly prejudicial mismanagement or misconduct in and about the business and affairs of, amongst other companies, Convoy, CCL and CSL. Such allegations made are mainly based on those set out in the writ in the Convoy HC Action.

Please refer to the Company’s announcement dated 3 January 2018 for more details.

A Case Management Conference was held on 6 March 2018. In summary, the Court directed that the Petition be stayed pending determination of the Convoy HC Action.

### (iii) Counterclaim made by Best Year Enterprises Limited (“Best Year”)

On 25 July 2018, Power Securities Company Limited (“Power Securities”), a wholly-owned subsidiary of the Company, commenced legal proceedings against, amongst other parties, Best Year and Mr. Sin Kwok Lam (“Mr. Sin”) by way of a writ of summons. Power Securities subsequently filed and served the Statement of Claim on 30 November 2018. On 8 March 2019, Best Year and Mr. Sin filed a defence and counterclaim. The said counterclaim was made against, amongst other parties, Power Securities and Mr. Sit Sai Hung Billy (“Mr. Sit”), an executive Director of the Company, for damages for conspiracy to be assessed, interest, costs and such further and/or other relief.

On 24 June 2019, the Court made a winding-up order (the “Winding-up Order”) against Best Year. By reason of the Winding-up Order, the counterclaim by Best Year against Power Securities and Mr. Sit was stayed. On 24 June 2019, Power Securities and Mr. Sit took out an application to strike out Mr. Sin’s counterclaim. On 18 July 2019, Mr. Sin took out an application for leave to amend his counterclaim. By the Order of Coleman J dated 5 December 2019 (“Coleman J’s Order”), Mr. Sin’s claim was struck out. On 27 December 2019, Mr. Sin filed a notice of appeal against Coleman J’s Order. As at the date of this announcement, the appeal is still ongoing.



**(iv) Writ of summons by Best Year**

On 17 June 2019, Best Year and Mr. Sin commenced another legal proceedings against Power Securities and another party based on the same subject matter of the counterclaim set out in Section (iii) above. By the writ of summons, Best Year and Mr. Sin sought for, amongst others, a declaration that the summary judgment (the “Summary Judgment”) obtained by Power Securities against Best Year previously in relation to a margin shortfall was obtained by fraud, an order that the Summary Judgment be set aside, an account order, payment order, damages, interest, costs and such further and/or other relief.

By reason of the Winding-up Order as set out in Section (iii) above, the claim by Best Year against Power Securities was stayed. On 23 July 2019, Power Securities took out an application to strike out Mr. Sin’s claim. By Coleman J’s Order as set out in Section (iii) above, Mr. Sin’s claim was struck out. On 27 December 2019, Mr. Sin filed a notice of appeal against Coleman J’s order. As at the date of this announcement, the appeal is still ongoing.

Given that the aforementioned cases/appeals are still in an early stage, and having considered the alleged claims and consulted the Company’s legal adviser, the Directors are of the views (i) it is premature to determine the possible outcome of any claim which is pending; (ii) it is uncertain to quantify any financial impact which will have a material effect on the financial position of the Company; and (iii) no provision for the claims of these legal proceedings is required to be made based on its current development. The Directors will monitor these cases against the Group closely.

**16. PRIOR YEAR ADJUSTMENTS**

In preparing the consolidated financial statements for the year ended 31 December 2019, the Group identified a misstatement and made corrections in the presentation and disclosures of certain balances in the previously issued consolidated financial statements for the year ended 31 December 2018.

**Adjustments relating to classification of unlisted investment funds**

The investments in unlisted investment funds which were previously classified as equity instruments at FVOCI contain a contractual obligation for the funds upon its termination to distribute to the Group a pro rata share of their net assets at the date of its termination or to redeem or repurchase that instrument for cash or other financial assets upon exercise by the Group. Accordingly, those investments do not meet the definition of an equity instrument in HKAS 32 Financial Instruments: Presentation and cannot be designated at FVOCI by the Group. Such investments should have been classified as financial assets at FVTPL under HKFRS 9 as at 1 January 2018.

Accordingly, certain prior year adjustments have been made and certain comparative information has been restated to correct these errors. The effect of correcting these errors are as follows:

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018:

	As previously reported HK\$'000	Prior year adjustments HK\$'000	As restated HK\$'000
Other income, gains and losses	(348,303)	(63,588)	(411,891)
Loss before tax	(436,564)	(63,588)	(500,152)
<b>Loss for the year</b>	<b>(437,374)</b>	<b>(63,588)</b>	<b>(500,962)</b>
<b>Other comprehensive income for the year</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes of equity instruments at FVOCI	(72,382)	63,588	(8,794)
Other comprehensive income for the year, net of income tax	(85,479)	63,588	(21,891)
<b>Total comprehensive income for the year</b>	<b>(522,853)</b>	<b>–</b>	<b>(522,853)</b>
<b>Loss for the year attributable to:</b>			
Owners of the Company	(437,330)	(63,588)	(500,918)
Non-controlling interests	(44)	–	(44)
	<b>(437,374)</b>	<b>(63,588)</b>	<b>(500,962)</b>

Impact on the consolidated statement of financial position as at 31 December 2018:

	As previously reported HK\$'000	Prior year adjustments HK\$'000	As restated HK\$'000
<b>Non-current assets</b>			
Financial assets at FVTPL	26,269	172,692	198,961
Equity instruments at FVOCI	172,692	(172,692)	–

Impact on the consolidated statement of changes in equity as at 31 December 2018:

	As previously reported <i>HK\$'000</i>	Prior year adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Investment revaluation reserve	(209,473)	205,164	(4,309)
Accumulated losses	<u>(2,668,338)</u>	<u>(205,164)</u>	<u>(2,873,502)</u>

Impact on the consolidated statement of financial position as at 1 January 2018:

	As previously reported <i>HK\$'000</i>	Prior year adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
<b>Non-current assets</b>			
Financial assets at FVTPL	–	313,017	313,017
Equity instruments at FVOCI	<u>326,342</u>	<u>(313,017)</u>	<u>13,325</u>

Impact on the consolidated statement of changes in equity as at 1 January 2018:

	As previously reported <i>HK\$'000</i>	Prior year adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Investment revaluation reserve	(211,190)	142,788	(68,402)
Accumulated losses	<u>(2,153,348)</u>	<u>(142,788)</u>	<u>(2,296,136)</u>

## **FINANCIAL REVIEW**

For the year ended 31 December 2019 (the “Year”), the Group recorded a revenue of approximately HK\$84,172,000 (2018: HK\$41,613,000). Approximate 102.27% upsurge in revenue was principally attributable to significantly increased interest income from money lending and assets investment segments.

During the Year, the Group enjoyed stable interest income from its matured and diversified bond and loan portfolios which offered higher effective interest rate. A healthy income stream along with (i) reduced loss arising on fair value changes of financial assets at fair value through profit or loss of approximately HK\$68,884,000 (comprising realised losses and unrealised losses) (2018: HK\$389,366,000 (restated)); and (ii) absence of impairment loss on amounts due from associates during the Year (2018: HK\$37,335,000), the Group’s net loss attributable to owners of the Company sliced by approximately 85.70% to approximately HK\$71,651,000 (2018: HK\$500,918,000 (restated)).

The aforesaid unrealised losses and impairment loss are non-cash in nature and will not have any significant impact of the cash flows of the Group. The Group is still in a strong cash position, as at 31 December 2019, the Group has bank balances and cash of approximately HK\$389,225,000 (2018: HK\$224,543,000).

## **BUSINESS REVIEW**

The Year was clouded by uncertainties and issues of international concern. The Sino-US trade dispute, the risk of a no-deal Brexit and a slow-down in Chinese economic growth, all contributed to volatility in the world economy. On the domestic front, the Hong Kong market was further plagued by over six months’ social disturbance.

The local financial sector remained volatile during the Year. Severe fluctuation in stock index and prices of individual shares led to more cautious investment sentiment. Acceleration in peer competition and ever lowering brokerage commission constituted formidable challenge to players in the financial services market, in particular the brokerage services industry.

In light of the deteriorated market environment, the Group swiftly adjusted its operation strategy and realigned its resources to interest-income businesses which offered more reliable and stable return.

### **Financial Services**

The Group’s financial services business covers securities brokerage, margin financing and corporate finance advisory services. The Group continued to rejuvenate this business segment through tightened compliance and risk control management. A more prudent approach in assessing and approving margin financing, led to shrinkage in income from this activity. During the Year, this business segment generated a revenue of approximately HK\$8,104,000 (2018: HK\$7,396,000) and reported an operating loss of approximately HK\$26,902,000 (2018: HK\$24,072,000).

Commission income from securities brokerage was under the impact of a sluggish stock market and severe competition. To broaden the income source of the financial services business, the Group had been actively seeking opportunities for advising equity capital market business including acting as placing agent and underwriter. However, the Group's effort was diminished by adverse investment sentiment and volatile capital market environment. As such, there was a relatively low level of activity performed by this business segment during the Year.

### **Money Lending**

The Group's money lending business was conducted through its wholly-owned subsidiary, E Finance Limited. The Group maintained a sizable loan portfolio offering healthy effective interest rates. The Group's money lending business covered the provision of property mortgage loans (including first mortgage, second mortgage and sub-mortgage loans), share mortgage loans and guaranteed loans to individuals and corporations with good credit records in Hong Kong. Most of the Group's loans were fully secured by sufficient collaterals.

A more demanding business environment and tightened credit condition in the commercial sector provided an opportunity for the Group to substantially expand its money lending business. The outstanding loans and interest receivables of the Group as at the end of the year amounted to approximately HK\$363,490,000, the majority of which is expected to be settled within 1 year.

An enlarged loan portfolio with soared interest income leading to favorable improvement in the business segment's revenue and operating performance. Interest income from the Group's money lending business during the Year amounted to approximately HK\$48,274,000, representing a hike of approximately 137.34% from that of the previous year. Operating profit of money lending business amounted to approximately HK\$30,248,000, which was approximately 152.68% higher than that of the previous year.

Revenue contributed from the money lending business segment accounted for approximately 57.35% of the Group's overall revenue. This business segment was a major driving force behind the Group's turnaround in performance, and a significant cash flow provider to fuel the Group's operation.

### **Assets Investment**

The Group's assets investment comprised a portfolio of funds, securities and bond investments. After aggressive measures taken by the Group to revamp this business segment, it displayed continued improvement in performance. The loss arising on fair value changes of financial assets at fair value through profit or loss during the Year significantly decreased to approximately HK\$68,884,000 as compared to that of approximately HK\$389,366,000 (restated) in the previous year.

The Group made no further securities investments during the Year, and was in the process of assessing its strategy for its existing securities investments.

The Group's bond portfolio mainly composed of listed corporate bonds issued by listed companies and reputable institutions with fair value of approximately HK\$319,025,000 as at 31 December 2019.

Interest income generated from bond investments during the Year amounted to approximately HK\$27,794,000, increased by approximately 100.29% than that of the previous year. As at 31 December 2019, the outstanding bonds bore an interest rate ranging from 4.7% to 12% (2018: 4% to 11%) per annum. This healthy and stable interest income contributed to the significant reduction in this business segment's operating loss, which dropped by approximately 83.13% year on year to approximately HK\$69,005,000.

### **Significant Investments**

As at 31 December 2019, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$249,128,000 (2018: HK\$420,696,000 (restated)), including (a) equity securities of approximately HK\$150,673,000; (b) unlisted investment funds of approximately HK\$86,750,000; and (c) listed bond investments of approximately HK\$11,705,000 respectively.

As at 31 December 2019, the Group's portfolio of financial assets at fair value through profit or loss comprised (a) 4 equity securities listed in Hong Kong; (b) 4 unlisted investment funds; and (c) 1 bond investment listed in Europe.

For the 4 listed equity securities, 3 of which accounted for approximately 1.10% of the Group's audited consolidated total assets as at 31 December 2019 and the remaining 1 accounted for approximately 9.41% of the Group's audited consolidated total assets as at 31 December 2019. For the 4 unlisted investment funds and 1 listed bond investment, each of which accounted for approximately 0.63% to 2.78% of the Group's audited consolidated total assets as at 31 December 2019.

As at 31 December 2019, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK\$307,320,000 (2018: HK\$343,378,000), all of which are listed bond investments.

As at 31 December 2019, the Group's portfolio of financial assets at fair value through other comprehensive income comprised 38 bond investments listed in Hong Kong or Singapore, each of which accounted for approximately 0.07% to 1.27% of the Group's audited consolidated total assets as at 31 December 2019.

The Directors considered that investments with a carrying amount that account for more than 5% of the Group's audited consolidated total assets as at 31 December 2019 as significant investments.

## Financial assets at fair value through profit or loss

Description of investments	Brief description of the business	Market value of investments as at		Number of shares held as at		Approximate percentage of shareholding in the investee as at		Approximate percentage of the Group's audited consolidated net assets as at		Dividends received during the Year (HK\$'000)	Interest income during the Year (HK\$'000)	Funds returns received during the Year (HK\$'000)	Realised gain/(loss) during the Year (HK\$'000)	Unrealised gain/(loss) during the Year (HK\$'000)
		31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018					
		(HK\$'000)	(HK\$'000)	('000)	('000)									
<i>Significant investments</i>														
<i>Listed securities investments in Hong Kong</i>														
Town Health International Medical Group Limited (stock code: 3886)	Provision of medical and dental services in Hong Kong; managing healthcare networks and provision of third party medical network administrator services in Hong Kong; provision of medical and dental services, as well as hospital management and related services in the People's Republic of China ("PRC"); provision of miscellaneous healthcare related services, trading of listed securities and leasing of properties	134,952	178,002	674,762	674,762	8.97%	8.97%	9.75%	12.32%	1,687	–	–	–	(43,050)
<i>Other investments</i>														
Other listed securities investments*		15,721	43,733							155	–	–	(2,097)	(16,751)
Unlisted investment funds <sup>4</sup>		86,750	172,692							169	–	8,806	7,214	(15,286)
Listed bond investments		11,705	26,269							–	1,260	–	538	548
Grand total for the financial assets at fair value through profit or loss		249,128	420,696							2,011	1,260	8,806	5,655	(74,539)

\* Other listed securities investments mainly comprise (i) the Group's investments in 3 companies whose shares are listed on the Main Board of the Stock Exchange. Each of the investments has a carrying amount that accounted for not more than 5% of the Group's audited consolidated total assets as at 31 December 2019.

# The unlisted investment funds comprise 4 different private funds. The business/investment sector of the unlisted investment funds mainly relates to various industries including, but not limited to, companies in consumer goods, retail, medical and health services, and internet-related and mobile-application-related industries.

## Financial assets at fair value through other comprehensive income

Description of investments	Market value of investments as at		Interest income during the Year	Gain on disposal during the Year	Fair value changes recognised through other comprehensive income during the Year	Impairment loss recognised during the Year
	31 December 2019	31 December 2018				
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Listed bond investments *	307,320	343,378	26,534	4,066	(8,756)	(11,582)
Grand total for the financial assets at fair value through other comprehensive income	307,320	343,378	26,534	4,066	(8,756)	(11,582)

\* The bond investments comprise 38 different bonds issued by companies listed in Hong Kong or the PRC and reputable institutions in the PRC. The business/investment sector of the bonds investments mainly relates to various industries including, but not limited to property development and investment in Hong Kong and the PRC.

## **Performance and future prospects of significant investments under financial assets at fair value through profit or loss**

The Directors would like to provide additional information on the Group's significant investments under financial assets at fair value through profit or loss as follows:

As at 31 December 2019, the Group held 674,762,000 shares of Town Health International Medical Group Limited ("Town Health"), which represented approximately 8.97% of the issued shares of Town Health as at 31 December 2019; and the aggregate carrying amount of such investment was approximately HK\$134,952,000, representing approximately 9.41% of the Group's audited consolidated total assets as at 31 December 2019 and approximately 9.75% of the Group's audited consolidated net assets as at 31 December 2019.

During the Year, the Group received a final dividend of HK\$0.25 cents per ordinary share of Town Health in respect of the year ended 31 December 2018 amounting to approximately HK\$1.7 million. For the Year, the Group recorded a fair value loss of approximately HK\$43,050,000 for its investment in Town Health.

With regards to the performance, material factors underlying the results and financial position, significant events and the future prospects of Town Health, details of which are disclosed in the Town Health's announcement of annual results for the Year dated 26 March 2020.

As disclosed in Town Health's announcement dated 18 December 2017, the board of Town Health has established an independent board committee, comprising all the independent non-executive directors, to conduct an independent investigation into the issues and matters arising from or relating to the trading suspension, to make recommendations to its board on appropriate actions to be taken, and to work towards the goal of having the shares resumed trading on the Stock Exchange. Details of update on progress of trading in the shares of Town Health are disclosed in Town Health's announcements dated 18 December 2017, 11 July 2018, 1 August 2018, 5 November 2018, 31 January 2019, 30 April 2019, 1 August 2019, 31 October 2019 and 10 January 2020.

Town Health is proactively seeking external legal advice with regard to the resumption of trading in the shares of Town Health on the Stock Exchange.



## **General analysis of the Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income**

The global financial market remains extremely volatile and it is difficult to accurately assess the full economic impact of the coronavirus epidemic at this moment.

The fluctuation in the local stock market is likely to further affect the value of the Group's financial assets at fair value through profit and loss and through other comprehensive income. The Group will stay alert of the rapidly changing market environment, and closely monitor price movement of equities under its portfolios and transaction of such equity and debt instruments, to effectively control its exposure. The Group aims to promptly adjust its investment portfolio in response to changing market situation, and will maintain a cautious approach in considering any investment opportunities.

## **Material acquisition and disposal of subsidiaries and affiliated companies**

The Group did not have any material acquisition or disposal of subsidiaries and affiliated companies for the Year.

## **Management of risks and uncertainty**

The principal risks and uncertainties of the Group which might have significant impact to the Group's financial performance and conditions include, among others: (i) changes in laws and regulations relating to licensed corporations, such as Money Lenders Ordinance and Securities and Futures Ordinance; (ii) credit risk of loan portfolios; and (iii) market risk of the investments in financial assets.

The Group's risk management involves both clearly defined perimeter and procedures for investment assessment and approval, as well as stringent internal control and supervision mechanisms. The Group's overall liquidity and major financial guidances are under close surveillance to ensure a safe and healthy financial position.

A designated team is constantly examining and enforcing regulatory and corporate procedural compliance. The Group's internal risk control guidelines and measures are regularly reviewed and updated to cope with latest changes in the capital market environment and legislative requirements.

Credit control and financing approval are of utmost importance to the Group's exposure management. The granting of loans is subject to loan committee's stringent scrutiny, including applicant's financial position review, credit rating and record search, and collateral valuation. Granted facilities and borrowers' credit exposure are under close monitoring. Senior executives are assigned to supervise the recovery of due loans. Any serious default or irregularities in operation are required to be immediately reported to the management for timely action.

In formulating its investment and corporate development strategies, the Group pays attention to the recent development in the global economy and world financial markets. The coronavirus outbreak and deteriorating international trading environment pose severe challenges to corporations abroad and at home. The domestic capital market is not only impacted by the above factors but also a slowdown Chinese economy and pessimistic investment sentiment. In reaction to an adverse market situation, the Group will uphold its prudent approach in maintaining a healthy cash flow and tightening its credit control in financing.

The Group's effort in broadening its income sources has gained initial success with the establishment of diversified portfolios of loans and bond investment. The Group aims to further widen its investment composition to secure a more balanced mix of short to medium and long-term returns, as well as a rational distribution of loans and investments for stable fixed income and capital gain.

## **BUSINESS OUTLOOK**

The prospects of 2020 are blurred by various factors, hindering corporations' ability to have accurate assessment of their operating environments. The outbreak of coronavirus in Mainland China and its spread to the rest of the world cause both health and economic concerns around the globe. The epidemic is not only a major blow to the world economy, it also brings the international supply chain to a temporary standstill. There are also uncertainties about the effective implementation of the Sino-US trade deal, and the US presidential election's impact on world political and economic landscapes.

Although the full impact of the epidemic is yet to be unveiled, the world financial markets are making their assumptions, which are demonstrated in recent plummet of leading stock markets.

Barring the effect of the coronavirus outbreak, the Chinese economic growth is already on a downslope path. Chinese GDP growth for 2020 is estimated to be in range of 5% to 6%. Given the close association between the economic developments of Hong Kong and mainland China, the local investment environment is bound to be adversely affected. In light of such arduous macro environment, we expect the local financial sector to remain challenging in 2020.

It is becoming even more imperative for the Group to maintain its rigorous measures to minimize operation exposure and to ensure capital liquidity. In addition to enforcement of its strict internal control and regulatory compliance, the Group adheres to its rigid investment discipline of maintaining diversified business portfolios with balanced distribution of capital and resources.

Following the restructuring of the financial services operations, the Group is gradually building up a seasoned professional team to seize business opportunities from capital market advisory and secondary stock market distribution. However, under a relatively demanding industry environment, the team would need some time to establish their credential for further market penetration.

A deteriorating commercial environment and tightening financing from large institutions are expected to create additional demand for the Group's money lending business. The Group will continue its judicious and vigilant approaches in expanding its loan portfolio.

In anticipation of a low interest rate environment amid slowdown in global economic growth and continued economic woe, the bond market is expected to become a heaven for capital seeking stable return. The Group will consider to rationally adjust the direction of its bond investments, in order to copy with the market changes.

Under a volatile and unpredictable market environment, the Group will stay alert of latest development in the world and domestic economic arena. It will maintain the agility of its resources for swift response to changing circumstances and upcoming opportunities.

In order to expand the scope of its business, and bring new dynamics for revenue growth, the Group will continue to seek potential investment and business opportunities for further development of the existing business segments.

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2019, the Group held bank balances and cash of approximately HK\$389,225,000 (2018: HK\$224,543,000). Net current assets amounted to approximately HK\$1,034,024,000 (2018: HK\$1,037,949,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 21.44 times (2018: 17.85 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 3.54% (2018: 6.41%).

As at 31 December 2019, the Group had outstanding borrowings of approximately HK\$20,800,000 (2018: HK\$37,400,000). The borrowings are unsecured and carry interest at 7% (2018: 7%) per annum and repayable in accordance with the relevant loan note certificates. As the Group's bank balance and cash and borrowings were mainly denominated in Hong Kong dollars and United States dollars, risk in exchange rate fluctuation would not be material.

## **CHARGES ON THE GROUP'S ASSETS**

As at 31 December 2019, assets of the Group were not charged to any parties (2018: Nil).

## CAPITAL COMMITMENT

The Group had the following significant capital commitment contracted but not provided for in the consolidated financial statements:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Commitment contracted for but not provided for in respect of investment in an investment fund which will be recognised as financial assets at fair value through profit or loss	<b><u>5,198</u></b>	<u>15,194</u>

## EVENT AFTER THE REPORTING DATE

Since early 2020, the epidemic of Coronavirus Disease 2019 (the “COVID-19 outbreak”) has spread across China and other countries, and it has affected the business and economic activities of the Group to some extent. The overall financial effect of the COVID-19 outbreak cannot be reliably estimated as of the date of these consolidated financial statements. The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed 24 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training. The Group remunerates its employees mainly based on industry practices and individual’s performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group’s performance as well as individual’s performance.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Year, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has applied the principles and complied with all the applicable code provisions in the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules throughout the Year save for the deviation from code provision A.2.1 while such deviation is explained in the paragraphs below.

Prior to 2 January 2019, Mr. Choi Chun Chung, Danny (“Mr. Choi”) is the chairman of the Board (the “Chairman”) and Mr. Wu William Wai Leung (“Mr. Wu”) is the chief executive officer of the Group (“Chief Executive Officer”), they have segregated and clearly defined roles. The Chairman provides leadership for the Board. The Chief Executive Officer has responsibility for the Group’s business development and daily management generally.

With effect from 2 January 2019, Mr. Wu has resigned as an executive Director and the Chief Executive Officer. Following the resignation of Mr. Wu, Mr. Choi has been re-designated as an executive Director and appointed as the Chief Executive Officer with effect from 2 January 2019. Mr. Choi continues to act as the Chairman.

Although Mr. Choi’s acting as the Chairman and the Chief Executive Officer concurrently deviates from the code provision A.2.1 of the CG Code, the Board believes that, after evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Choi, (i) it is appropriate and in the interests of the Company at the present stage for Mr. Choi to hold both positions as the Chairman and the Chief Executive Officer as it helps to maintain the continuity of the policies and the stability of the operations of the Company; and (ii) such practice will not impair the balance of power and authority under the present arrangement and will be adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code throughout the Year.

## AUDIT COMMITTEE

The audit committee of the Board (“Audit Committee”) comprises three independent non-executive Directors, namely Mr. Chu Hau Lim (the chairman of the Audit Committee), Mr. Wong Kun To and Ms. Lim Xue Ling, Charlene. During the Year, the Audit Committee reviewed the Group’s audited consolidated financial statements for the year ended 31 December 2018 and the unaudited consolidated financial information for the six months ended 30 June 2019 respectively, discussed audit scope and findings with the Company’s independent auditor, reviewed the Group’s financial reporting system and internal control system, and made recommendation to the Board regarding appointment and remuneration of the external auditor. In the meeting of the Audit Committee of March 2020, the Audit Committee reviewed the Group’s audited consolidated financial statements for the Year prior to recommending them to the Board for approval and discussed the internal audit report and other supporting document for the review of risk management and internal control systems and the effectiveness of internal audit function.

On behalf of the Board  
**Power Financial Group Limited**  
**Choi Chun Chung, Danny**  
*Chairman and Chief Executive Officer*

Hong Kong, 30 March 2020

*As at the date of this announcement, the executive Directors are Mr. Choi Chun Chung, Danny and Mr. Sit Sai Hung, Billy; and the independent non-executive Directors are Mr. Wong Kun To, Mr. Chu Hau Lim and Ms. Lim Xue Ling, Charlene.*