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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 2020

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2020:

- The Group recorded revenue of approximately HK\$101,716,000 (2019: HK\$84,172,000).
- Profit attributable to owners of the Company amounted to approximately HK\$44,190,000 (2019: loss of approximately HK\$71,651,000).
- The Board does not recommend the payment of any dividend.

As at 31 December 2020:

- The Group held debt instruments at fair value through other comprehensive income of approximately HK\$102,304,000 (2019: HK\$307,320,000).
- The Group held financial assets at fair value through profit or loss of approximately HK\$294,903,000 (2019: HK\$249,128,000).
- The Group held bank balances and cash of approximately HK\$204,512,000 (2019: HK\$389,225,000), loans and interest receivables of approximately HK\$590,717,000 (2019: HK\$363,490,000) respectively.
- Net current assets amounted to approximately HK\$1,245,863,000 (2019: HK\$1,034,024,000). Current ratio (defined as total current assets divided by total current liabilities) was 41.14 times (2019: 21.44 times).
- Net assets amounted to approximately HK\$1,422,184,000 (2019: HK\$1,383,677,000).

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 2020, together with comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	4	101,716	84,172
Direct operating costs		<u>(21,686)</u>	<u>(10,056)</u>
Gross profit		80,030	74,116
Other income, gains and losses	6	24,727	(60,870)
Administrative expenses		(57,367)	(81,386)
Share of profit of associates		–	1,205
Finance costs	7	<u>(674)</u>	<u>(2,498)</u>
Profit/(loss) before tax	8	46,716	(69,433)
Income tax expense	9	<u>(2,537)</u>	<u>(1,810)</u>
Profit/(loss) for the year		<u>44,179</u>	<u>(71,243)</u>
Other comprehensive income/(expense) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Release of translation reserve upon disposal of a foreign operation		–	216
Share of other comprehensive expense of associates		–	(1,660)
Fair value changes of debt instruments at fair value through other comprehensive income		<u>(6,346)</u>	<u>2,826</u>
Other comprehensive (expense)/income for the year, net of income tax		<u>(6,346)</u>	<u>1,382</u>
Total comprehensive income/(expense) for the year		<u>37,833</u>	<u>(69,861)</u>

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year attributable to:			
Owners of the Company		44,190	(71,651)
Non-controlling interests		(11)	408
		<u>44,179</u>	<u>(71,243)</u>
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		37,844	(70,269)
Non-controlling interests		(11)	408
		<u>37,833</u>	<u>(69,861)</u>
Earnings/(loss) per share			
– Basic (<i>HK cents</i>)	11	<u>1.59</u>	<u>(2.57)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		64,787	58,638
Goodwill		136	136
Other intangible asset		1,300	–
Loans and interest receivables	12	147	226
Debt instruments at fair value through other comprehensive income		45,536	191,688
Financial assets at fair value through profit or loss		67,144	86,750
Other receivables	13	–	12,197
Other assets		180	180
		179,230	349,815
CURRENT ASSETS			
Inventories		513	–
Loans and interest receivables	12	590,570	363,264
Trade and other receivables	13	180,882	35,705
Income tax recoverable		105	2,508
Debt instruments at fair value through other comprehensive income		56,768	115,632
Financial assets at fair value through profit or loss		227,759	162,378
Bank trust account balances		15,795	15,899
Bank balances and cash		204,512	389,225
		1,276,904	1,084,611
CURRENT LIABILITIES			
Trade and other payables	14	24,104	23,956
Income tax payable		700	2,226
Borrowings		–	20,800
Lease liabilities		6,237	3,605
		31,041	50,587

	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CURRENT ASSETS	1,245,863	1,034,024
TOTAL ASSETS LESS CURRENT LIABILITIES	1,425,093	1,383,839
NON-CURRENT LIABILITIES		
Lease liabilities	2,909	162
NET ASSETS	1,422,184	1,383,677
CAPITAL AND RESERVES		
Share capital	27,836	27,836
Reserves	1,392,488	1,353,970
Equity attributable to owners of the Company	1,420,324	1,381,806
Non-controlling interests	1,860	1,871
TOTAL EQUITY	1,422,184	1,383,677

NOTES

1. GENERAL INFORMATION

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 Room 102, 1/F., Energy Plaza, No. 92 Granville Road, Tsimshatsui East, Kowloon, Hong Kong.

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

4. REVENUE

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

	2020 HK\$'000	2019 HK\$'000
Interest income from money lending	55,342	48,274
Interest income from bond investments	15,105	27,794
Income from financial services		
– Commission income from securities brokerage	2,712	1,987
– Commission income from placing	208	–
– Corporate finance advisory services	840	–
– Interest income from clients	12,665	6,117
Trading of healthcare related products	14,844	–
	101,716	84,172

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

	2020 HK\$'000	2019 HK\$'000
Income from financial services		
– Commission income from securities brokerage	2,712	1,987
– Commission income from placing	208	–
– Corporate finance advisory services	840	–
Trading of healthcare related products	14,844	–
	18,604	1,987

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.

For the year ended 31 December 2020	Revenue recognised		Total HK\$'000
	At point in time HK\$'000	Over time HK\$'000	
Financial services segment	2,920	840	3,760
Money lending segment	–	–	–
Trading segment	14,844	–	14,844
Assets investment segment	–	–	–
	17,764	840	18,604

For the year ended 31 December 2019	Revenue recognised		Total HK\$'000
	At point in time HK\$'000	Over time HK\$'000	
Financial services segment	1,987	–	1,987
Money lending segment	–	–	–
Trading segment	–	–	–
Assets investment segment	–	–	–
	1,987	–	1,987

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.

During the year ended 31 December 2020, the Group commenced the business engaging in trading of healthcare related products in Hong Kong and to overseas.

The Group's 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 corporate finance advisory services in Hong Kong;
- Money lending segment – Provision of loan financing in Hong Kong;
- Trading segment – Trading of healthcare related products in Hong Kong and to overseas; and
- Assets investment segment – Investments in debt securities earning fixed interest income, as well as investments in listed and unlisted equity securities 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 segments:

For the year ended 31 December 2020

	Financial services segment <i>HK\$'000</i>	Money lending segment <i>HK\$'000</i>	Trading segment <i>HK\$'000</i>	Assets investment segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
Revenue from external customers	16,425	55,342	14,844	15,105	101,716
Other income, gains and losses					
Dividend income from listed equity securities and unlisted investment funds	–	–	–	183	183
Loss on disposal of debt instruments at fair value through other comprehensive income ("FVTOCI")	–	–	–	(1,418)	(1,418)
Gain on fair value changes of financial assets at fair value through profit or loss ("FVTPL")	–	–	–	22,789	22,789
	<u>16,425</u>	<u>55,342</u>	<u>14,844</u>	<u>36,659</u>	<u>123,270</u>
Results					
Segment results	958	38,604	386	13,226	53,174
Unallocated corporate income					2,311
Unallocated corporate expenses					(8,095)
Finance costs					(674)
Profit before tax					<u>46,716</u>

For the year ended 31 December 2019

	Financial services segment HK\$'000	Money lending segment HK\$'000	Trading segment HK\$'000	Assets investment segment HK\$'000	Total HK\$'000
Revenue					
Revenue from external customers	8,104	48,274	–	27,794	84,172
Other income, gains and losses					
Dividend income from listed equity securities and unlisted investment funds	–	–	–	2,011	2,011
Gain on disposal of debt instruments at FVTOCI	–	–	–	4,066	4,066
Loss on fair value changes of financial assets at FVTPL	–	–	–	(68,884)	(68,884)
	<u>8,104</u>	<u>48,274</u>	<u>–</u>	<u>(35,013)</u>	<u>21,365</u>
Results					
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 profit of associates					<u>1,205</u>
Loss before tax					<u>(69,433)</u>

Segment revenue represents revenue from external customers shown above. There were no inter-segment sales for the year ended 31 December 2020 (2019: 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 certain directors' emoluments, certain other income, gains and losses and certain administrative expenses, finance costs and share of profit 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:

	2020 HK\$'000	2019 HK\$'000
Segment assets		
Financial services segment	180,140	35,227
Money lending segment	592,488	363,690
Trading segment	862	–
Assets investment segment	517,281	726,920
Total segment assets	1,290,771	1,125,837
Unallocated assets		
– Bank balances and cash	147,730	301,087
– Other unallocated assets	17,633	7,502
Consolidated total assets	1,456,134	1,434,426
Segment liabilities		
Financial services segment	21,155	19,182
Money lending segment	717	1,135
Trading segment	388	–
Assets investment segment	1,528	23,930
Total segment liabilities	23,788	44,247
Unallocated liabilities	10,162	6,502
Consolidated total liabilities	33,950	50,749

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

- all assets are allocated to operating segments other than certain property, plant and equipment (including right-of-use assets), bank balances and cash and income tax recoverable which are not allocated to segment assets; and
- all liabilities are allocated to operating segments other than borrowings, lease liabilities and income tax payable which are not allocated to segment liabilities.

Other segment information

For the year ended 31 December 2020

	Financial services segment <i>HK\$'000</i>	Money lending segment <i>HK\$'000</i>	Trading 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	–	1,330	–	–	17,431	18,761
Interest income	12,665	55,342	–	15,105	1,464	84,576
Interest expenses	–	–	–	–	(674)	(674)
Depreciation of property, plant and equipment	(2,555)	(7)	–	–	(8,750)	(11,312)
Impairment loss on trade receivables	(2,919)	–	–	–	–	(2,919)
Impairment loss on loans and interest receivables	–	(2,467)	–	–	–	(2,467)
Impairment loss on debt instruments at FVTOCI	–	–	–	–	–	–
Impairment loss on goodwill	–	–	–	–	–	–
Impairment loss on trade receivables reversed	16	–	–	–	–	16

For the year ended 31 December 2019

	Financial services segment <i>HK\$'000</i>	Money lending segment <i>HK\$'000</i>	Trading 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)
Depreciation of property, plant and equipment	(2,653)	(56)	–	(17)	(5,449)	(8,175)
Impairment loss on trade receivables	(2,678)	–	–	–	–	(2,678)
Impairment loss on loans and interest receivables	–	(4,820)	–	–	–	(4,820)
Impairment loss on debt instruments at FVTOCI	–	–	–	(11,582)	–	(11,582)
Impairment loss on goodwill	(672)	–	–	–	–	(672)
Impairment loss on trade receivables reversed	20	–	–	–	–	20

Note: Additions to non-current assets excluded those relating to financial instruments.

Geographical information

The geographical location of customers is based on the location of the customers, irrespective of the origin of the goods or services. The geographical location of the non-current assets is based on the physical location of the assets.

The Group's revenue from external customers and information regarding non-current assets by geographical locations are as follows:

	Revenue		Non-current assets	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	98,107	84,172	66,223	58,774
United States of America	3,609	–	–	–
	<u>101,716</u>	<u>84,172</u>	<u>66,223</u>	<u>58,774</u>

Note: Non-current assets excluded those relating to financial instruments.

Information about major customers

There was no customer contributing over 10% of the total revenue of the Group for the years ended 31 December 2020 and 2019.

6. OTHER INCOME, GAINS AND LOSSES

	2020	2019
	HK\$'000	HK\$'000
Interest income	1,464	1,425
Sundry income	1,559	7,065
Rental income	150	–
Dividend income from unlisted investment funds	–	169
Dividend income from listed equity securities	183	1,842
Gain/(loss) on fair value changes of financial assets at FVTPL	22,789	(68,884)
(Loss)/gain on disposal of debt instruments at FVTOCI	(1,418)	4,066
Loss on deregistration of subsidiaries	–	(374)
Loss on deemed disposal of interests in associates	–	(6,179)
	<u>24,727</u>	<u>(60,870)</u>

7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on loan notes	107	2,100
Interest on lease liabilities	567	398
	<u>674</u>	<u>2,498</u>

8. PROFIT/(LOSS) BEFORE TAX

	2020 HK\$'000	2019 HK\$'000
Profit/(loss) before tax has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments, excluding equity-settled share-based payments	14,531	13,366
Other staff costs (<i>Note below</i>)	9,402	15,049
Equity-settled share-based payments (including directors' equity-settled share-based payments)	674	1,969
	<u>24,607</u>	<u>30,384</u>
Auditor's remuneration	900	1,620
Cost of inventories recognised as an expense	13,910	–
Depreciation of property, plant and equipment	11,312	8,175
Exchange losses, net	2,351	34
Impairment loss recognised as administrative expenses on:		
– Loans and interest receivables (<i>Note 12</i>)	2,467	4,820
– Debt instruments at FVTOCI	–	11,582
– Trade receivables (<i>Note 13(c)</i>)	2,919	2,678
– Goodwill	–	672
Impairment loss on trade receivables reversed (<i>Note 13(b)</i>)	(16)	(20)

Note: Included in other staff costs are contributions of retirement benefits scheme amounted to approximately HK\$220,000 (2019: HK\$398,000).

9. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Current tax:		
– Hong Kong Profits Tax	2,510	1,810
– Under-provision in respect of prior period	27	–
	<u>2,537</u>	<u>1,810</u>
Income tax expense	<u>2,537</u>	<u>1,810</u>

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

Taxation arising in other jurisdictions, if applicable, 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 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

11. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

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

	2020 HK\$'000	2019 HK\$'000
<i>Earnings/(loss)</i>		
Earnings/(loss) for the purpose of basic earnings/(loss) per share		
Profit/(loss) for the year attributable to owners of the Company	<u>44,190</u>	<u>(71,651)</u>
	2020 '000	2019 '000
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>2,783,553</u>	<u>2,783,553</u>

Diluted earnings/(loss) per share

The computation of diluted earnings/loss per share did not assume the exercise of outstanding share options of the Company because the exercise price of those options was higher than the average market price for shares for both years ended 31 December 2020 and 2019.

Diluted earnings/loss per share for the years ended 31 December 2020 and 2019 are not presented as there were no other potential shares in issue for both of these years.

12. LOANS AND INTEREST RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Loans and interest receivables thereon		
– Within one year	597,857	368,084
– In the second to fifth years	147	226
	<u>598,004</u>	<u>368,310</u>
Less: Impairment loss recognised	<u>(7,287)</u>	<u>(4,820)</u>
	<u>590,717</u>	<u>363,490</u>
Analysed for reporting purpose as:		
Non-current assets	147	226
Current assets	<u>590,570</u>	<u>363,264</u>
	<u>590,717</u>	<u>363,490</u>

Movements of allowance of loans and interest receivables are as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	4,820	–
Impairment loss recognised (<i>Note 8</i>)	<u>2,467</u>	<u>4,820</u>
At 31 December	<u>7,287</u>	<u>4,820</u>

Details of loans receivables (excluding interest receivables) are as follows:

As at 31 December 2020

Loan principals HK\$'000	Interest rate per annum	Maturity date	Security pledged
386,368	9%–36%	Within 1 year to 5 years	Landed properties in Hong Kong, and shares of certain listed and unlisted companies
94,500	10%–17%	Within 1 year	Guarantees provided by certain independent third parties
107,950	10%–24%	Within 1 year	Nil
588,818			

As at 31 December 2019

Loan principals HK\$'000	Interest rate per annum	Maturity date	Security pledged
304,696	9%–30%	Within 1 year to 5 years	Landed properties in Hong Kong, and shares of certain listed and unlisted companies
24,000	9%	Within 1 year	Guarantees provided by certain independent third parties
34,552	9%–24%	Within 1 year	Nil
363,248			

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.

13. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables from:		
Trading business (<i>Note (a)</i>)	346	–
Financial services business		
– Cash clients (<i>Note (b)</i>)	1,287	565
– Margin clients (<i>Note (c)</i>)	198,524	48,993
– Clearing house (<i>Note (b)</i>)	1,431	1,030
Less: allowance for impairment loss of trade receivables	(38,236)	(35,333)
	163,006	15,255
	163,352	15,255
Other receivables (<i>Note (d)</i>)	16,895	31,737
Prepayments	635	910
	180,882	47,902
	2020 HK\$'000	2019 HK\$'000
Analysed for reporting purpose as:		
Non-current assets	–	12,197
Current assets	180,882	35,705
	180,882	47,902

Notes:

(a) Trading business

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory and trustworthy credit history. Credit limits attributed to its customers are reviewed regularly. The Group generally allows an average credit period of 30 days for its customers (2019: Nil). For new customers, cash on delivery or payment in advance is normally required.

The Group seeks to maintain strict control over its outstanding trade receivables. Overdue balances are reviewed regularly by the senior management.

An aged analysis of trade receivables based on the invoice date, and net of allowance for impairment losses, is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 30 days	346	–

An aged analysis of these trade receivables past due but not impaired is as follows:

	2020 HK\$'000	2019 HK\$'000
1 to 30 days	<u>346</u>	<u>–</u>

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$346,000 which are past due as at the reporting date.

Trade receivables which are past due at the end of the reporting period for which the Group had not recognised an allowance for impairment losses relate to an independent customer that has a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable. The Group did not hold any collateral or other credit enhancements over this balance nor did it have a legal right of offset against any amounts owed by the Group to the counterparty.

(b) Cash clients and clearing house of financial services business

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.

Movements of allowance of trade receivables from cash clients and clearing house are as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	259	279
Recovery of impairment loss during the year (<i>Note 8</i>)	<u>(16)</u>	<u>(20)</u>
At 31 December	<u>243</u>	<u>259</u>

(c) Margin clients of financial services business

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 2020, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK\$809,612,000 (2019: HK\$63,157,000).

No aged analysis is disclosed as, in the opinion of the directors, such disclosure is not meaningful in view of the revolving nature of the margin financing business.

Movements of allowance of trade receivables from margin clients are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	35,074	32,396
Impairment loss recognised (<i>Note 8</i>)	<u>2,919</u>	<u>2,678</u>
At 31 December	<u><u>37,993</u></u>	<u><u>35,074</u></u>

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

(d) Other receivables

As at 31 December 2020, other receivables include a balance of approximately HK\$13,214,000 (2019: HK\$25,411,000) due from a third party in respect of the disposal of an investment fund during the year ended 31 December 2019. As there is no history of default from this counterparty, 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables from:		
Trading business (<i>Note (a)</i>)	<u>388</u>	<u>–</u>
Financial services business		
– Cash Clients (<i>Note (b)</i>)	6,412	2,606
– Margin Clients (<i>Note (b)</i>)	10,769	13,876
– Clearing house (<i>Note (b)</i>)	<u>2,604</u>	<u>568</u>
	<u>19,785</u>	<u>17,050</u>
	20,173	17,050
Other payables	703	511
Accrued charges	<u>3,228</u>	<u>6,395</u>
	<u><u>24,104</u></u>	<u><u>23,956</u></u>

Notes:

(a) An aged analysis of trade payables based on the date of invoice date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	<u><u>388</u></u>	<u><u>–</u></u>

- (b) Majority of the payables in respect of financial services business are repayable on demand, except that certain balances payable to clients represent margin deposits received from clients for their trading activities under normal course of business, under which the excess amounts over the required margin deposits stipulated are repayable on demand.

The settlement terms of trade payables to clients and clearing house arising from the ordinary course of business of dealing in securities are two days after trade date.

No aged analysis is disclosed as, in the opinion of the directors, such disclosure 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 are deemed to be closed as between the Plaintiffs and Classictime 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 other parties 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 Sai Hung, Billy (“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 9 March 2020, 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 that (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.

FINANCIAL REVIEW

For the year ended 31 December 2020 (the “Year”), the Group recorded revenue of approximately HK\$101,716,000 (2019: HK\$84,172,000). Approximately 20.84% of this upsurge in revenue was principally attributable to: (i) sustainable interest income from money lending business, recording an increase of approximately 14.64% compared with 2019; (ii) a significant improvement in margin financing operations with interest income from clients amounted to approximately HK\$12,665,000 during the Year compared with that of approximately HK\$6,117,000 in 2019, showing an increase of approximately 107.05%; and (iii) contribution of new trading of healthcare related products business of approximately HK\$14,844,000 (2019: Nil).

The Group’s net profit attributable to owners of the Company increased dramatically, reaching approximately HK\$44,190,000 compared with the net loss of approximately HK\$71,651,000 in 2019. Such turnaround from loss to profit for the Year was principally attributable to (i) a gain on the fair value changes of financial assets at fair value through profit or loss of approximately HK\$22,789,000 (2019: loss of approximately HK\$68,884,000); (ii) an increase in both revenue and profit in the money lending segment for the Year, and the segment profit of which for the Year amounted to approximately HK\$38,604,000 (2019: HK\$30,248,000); and (iii) the turnaround from loss of approximately HK\$26,902,000 for the year ended 31 December 2019 to profit of approximately HK\$958,000 for the Year in the financial services segment.

The Group’s cash position remained strong during the Year with bank balances and cash totaling approximately HK\$204,512,000 (2019: HK\$389,225,000) as at 31 December 2020.

BUSINESS REVIEW

In 2020, the world economy was battered by the Coronavirus Disease 2019 (“COVID-19”) pandemic. The World Bank estimates that global gross domestic product (GDP) fell 4.3% year-on-year in 2020. Suspension of travel, as well as disruptions in business, social and production activities resulted in months of unprecedented financial turmoil. Major global stock markets collapsed and unemployment rates hit record highs following the escalating number of COVID-19 infections and deaths.

Eventually, global economic activity slowly emerged from recession to recovery during the second half of 2020 as companies gradually adapted to the ‘new normal’ circumstances coupled with the introduction of new COVID-19 vaccines. At the local level, despite challenges brought about by COVID-19, the return of China concepts stocks and frequent record highs seen in various new economy sectors helped push stock turnover to elevated levels. According to statistics from the Hong Kong Exchanges and Clearing Limited (“HKEx”), 154 new companies were listed in Hong Kong during the Year, raising a total amount of funds of approximately HK\$397.7 billion. In addition, as many countries continue to implement loose monetary policies and inject massive amounts of funds into the market, bank balances in Hong Kong surpassed the approximate HK\$450 billion mark while inflows of mainland China

as well as foreign capital bolstered high stock turnover. Benefitting from active market trading and the current IPO boom, the Group swiftly adjusted its operational strategy and realigned its resources to focus on interest-income businesses, which offer more reliable and stable returns, and helped us achieve a sparkling positive turnaround in results.

Financial Services

According to HKEx statistics, the average daily securities transaction volume during 2020 reached approximately HK\$129.48 billion, an increase of approximately 48.56% from the average daily transaction volume of approximately HK\$87.15 billion during the same period in 2019. Despite a slight year-on-year decline of approximately 3% in the number of new listed companies, the amount of funds raised through IPOs in Hong Kong stood at approximately HK\$211.4 billion, up approximately 57.88% from approximately HK\$133.9 billion at the same period last year. In terms of funds raised, Hong Kong still ranks second in the world.

The Group's financial services business is mainly conducted by Power Securities, a wholly-owned subsidiary of the Company licensed to carry on Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The scope of Power Securities covers provision of margin financing, securities brokerage services, and equity capital market ("ECM") services such as placing. Recognising that investors were enthusiastic about IPO subscriptions and were keeping a close eye on new economy stocks to invest in, the Group responded in kind by actively participating in a number of business transactions related to IPO margin financing. We secured greater numbers of interested clients through authorised executive ("AEs") referrals with performance-related commissions as an incentives, as well as responsible officers ("RO") of social networks, and the Group's senior management personnel. Remarkable improvements were also seen in various aspects of the operations, in terms of revenue, transaction volume and the number of margin and cash clients. During the Year, this business segment generated revenue of approximately HK\$16,425,000 (2019: HK\$8,104,000), showing a dramatic increase of approximately 102.68%.

There was also a significant increase in both the number of outstanding margin loan clients as well as the amount of margin loan receivables, which were approximately 2.5 times and 10.5 times higher, respectively, than those at the beginning of the Year. Interest income from clients (comprising margin clients and cash clients) amounted to approximately HK\$12,665,000 in 2020 compared with approximately HK\$6,117,000 in 2019, representing an increase of approximately 107.05%. Based on these results, the Group were gratified to see that the Group's margin loan business outperformed its peers and achieved a turnaround from operating loss to profit during the Year.

Money Lending

The Group's money lending business is conducted through its wholly-owned subsidiary – E Finance Limited. (“E Finance”). The four categories of loans provided by the Group are: (i) property mortgage loans, such as first and second mortgages as well as sub-mortgages; (ii) share mortgage loans; (iii) guaranteed loans to individuals and corporations with good credit records in Hong Kong; and (iv) unsecured loans. The Group struck a successful balance by adhering to an effective comprehensive policy as well as prudent procedures relating to loan approvals, loan renewals, loan top-ups, loan recovery, loan compliance, monitoring and anti-money laundering. On the other hand, we maintained a sizable loan portfolio with healthy effective interest rates while also nurturing a strong and extensive customer base.

A more demanding business environment and tighter credit conditions in the commercial sector provided an opportunity for the Group to substantially expand its money-lending operations throughout the Year. Since 2019, licensed banks in Hong Kong have adopted more strict credit measures, such as low loan-to-value (LTV) ratios for mortgage loans, stress tests and credit scoring before granting loans. The approval time frame for a loan application is relatively long due to multi-tiered approval procedures. By contrast, E Finance has adopted a more flexible and efficient approach to application approvals while still maintaining stringent credit controls, enabling the Group to secure more opportunities throughout the Year.

An expanded loan portfolio with higher effective interest rates contributed to the on-going improvement in the Group's operating profit. As at 31 December 2020, the interest rate charged to outstanding loans ranged from 9% to 36% (2019: 9% to 30%) per annum. Interest income from the Group's money lending business during the Year amounted to approximately HK\$55,342,000, showing an increase of approximately 14.64% from approximately HK\$48,274,000 in 2019. Operating profit from this business segment amounted to approximately HK\$38,604,000, which was approximately 27.62% higher than that of approximately HK\$30,248,000 in 2019.

Backed by on-going, enhanced marketing efforts, the Group successfully connected with greater numbers of agents who referred potential loan financing opportunities, consequently allowing us to broaden the distribution channels and establish a wider and more solid customer base. Both the number of outstanding loans and amount of loans receivables had shown a growing trend from March 2020 and reached 63 (2019: 49) and approximately HK\$588,818,000 (2019: HK\$363,248,000) as at 31 December 2020.

During the Year, money lending business segment generated revenue of approximately HK\$55,342,000, accounting for approximately 54.41% of overall revenue, and playing a major role in support of the Group's comprehensive performance.

Trading

The Group also spotted an enormous market demand for healthcare products since the outbreak of COVID-19. During the Year, the Group designated an operating subsidiary – Power Global Trading Company Limited (“Power Global Trading”) to oversee trading activities. A new team was formed specifically in response to meet the desperate needs of both the local community and overseas markets. Power Global Trading was actively involved in trading hygiene products, including surgical face masks, hand sanitizers and alcohol sprays. This new business segment contributed revenue of approximately HK\$14,844,000 and generated an operating profit of approximately HK\$386,000 for the Year.

Assets investment

The Group’s assets investment segment comprises a portfolio of bonds, funds and securities investments. During the Year, the Group reduced the size of its investment portfolio in order to reserve or reallocate greater resources and funding to better performing business activities, including margin financing and money lending operations. Despite this, the Group still achieved a turnaround from operating loss to profit for this segment, which was mainly due to the gain on fair value changes of financial assets at fair value through profit or loss, and stable interest income from bond investments.

In terms of bond investments, the Group retained a certain number of listed bonds in order to generate stable and fixed interest income. Overall the Group downsized its bond investments against the backdrop of worsening market sentiment, bond price adjustments and the past default history of certain bonds during the Year. The Group’s bond portfolio totaled a fair value of approximately HK\$102,304,000 as at 31 December 2020. During the Year, interest income from bond investments amounted to approximately HK\$15,105,000, representing a decrease of approximately 45.65% compared to approximately HK\$27,794,000 in 2019.

Looking at fund investments, the Group has interests in four unlisted, close-ended funds and will continue to hold them until their respective maturity dates or in the event of any early fund redemption. The Group’s designated investment team regularly monitors the underlying performance of fund investments through regular updates from fund administrators as well as discussions with fund managers.

On the securities investment front, the Group invested in a number of Hong Kong listed securities. The Group has a designated investment team in place to monitor and assess securities investments on a regular basis. The Group will actively change the securities holdings in response to the Group’s future investment strategies, general market conditions and the performance and business prospects of the related listed companies.

Significant investments

As at 31 December 2020, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$294,903,000 (2019: HK\$249,128,000), including (a) equity securities of approximately HK\$227,759,000 (2019: HK\$150,673,000); (b) unlisted investment funds of approximately HK\$67,144,000 (2019: HK\$86,750,000); and (c) listed bond investments of approximately HK\$Nil (2019: HK\$11,705,000) respectively.

As at 31 December 2020, the Group's portfolio of financial assets at fair value through profit or loss comprised (a) 17 equity securities listed in Hong Kong; and (b) 4 unlisted investment funds. For the 17 listed equity securities, 16 of which accounted for approximately 3.69% of the Group's audited consolidated total assets as at 31 December 2020 and the remaining 1 accounted for approximately 11.96% of the Group's audited consolidated total assets as at 31 December 2020. For the 4 unlisted investment funds, each of which accounted for approximately 0.25% to 2.56% of the Group's audited consolidated total assets as at 31 December 2020.

As at 31 December 2020, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK\$102,304,000 (2019: HK\$307,320,000), all of which are listed bond investments.

As at 31 December 2020, the Group's portfolio of financial assets at fair value through other comprehensive income comprised 17 bond investments listed in Hong Kong or Singapore, each of which accounted for approximately 0.11% to 1.07% of the Group's audited consolidated total assets as at 31 December 2020.

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 2020 as significant investments.

Financial assets at fair value through profit or loss

Description of investments	Brief description of the business	Fair 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)	Realised gain during the Year (HK\$'000)	Unrealised gain/(loss) during the Year (HK\$'000)
		31 December 2020 (HK\$'000)	31 December 2019 (HK\$'000)	31 December 2020 ('000)	31 December 2019 ('000)	31 December 2020	31 December 2019	31 December 2020	31 December 2019				
<i>Significant investments</i>													
Listed securities investments in Hong Kong													
Town Health International Medical Group Limited ("Town Health") (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	174,089	134,952	674,762	674,762	8.97%	8.97%	12.24%	9.75%	-	-	-	39,136
<i>Other investments</i>													
Other listed securities investments*		53,670	15,721							183	-	5,499	(4,286)
Unlisted investment funds [#]		67,144	86,750							-	-	-	(17,594)
Listed bond investments		-	11,705							-	53	34	-
Grand total for the financial assets at fair value through profit or loss		294,903	249,128							183	53	5,533	17,256

* Other listed securities investments mainly comprise the Group's investments in 16 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 2020.

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	Fair value of investments as at		Interest income during the Year	Loss on disposal during the Year	Fair value changes recognised through other comprehensive income during the Year
	31 December 2020	31 December 2019			
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Listed bond investments*	102,304	307,320	15,052	(1,418)	(6,346)
Grand total for the financial assets at fair value through other comprehensive income	102,304	307,320	15,052	(1,418)	(6,346)

* The bond investments comprise 17 different bonds listed in Hong Kong or Singapore. 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 2020, the Group held 674,762,000 shares of Town Health, which represented approximately 8.97% of the issued shares of Town Health as at 31 December 2020; and the fair value of such investment was approximately HK\$174,089,000, representing approximately 11.96% of the Group's audited consolidated total assets as at 31 December 2020 and approximately 12.24% of the Group's audited consolidated net assets as at 31 December 2020.

During the Year, no dividend was received by the Group from Town Health and the Group recorded a fair value gain of approximately HK\$39,136,000 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 interim report for the six months ended 30 June 2020 published on 11 September 2020. The latest updates on the financial performance of Town Health are disclosed in the Town Health's announcement of profit warning dated 11 February 2021.

As disclosed in previous announcements of Town Health as published in the website of the Stock Exchange, Town Health had been communicating with the Securities and Futures Commission (“SFC”) on the resumption application made by Town Health under section 9 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (the “SMLR”). At the request of the SFC, a reputable independent consultant (as agreed by the SFC) had been engaged to conduct a review of Town Health’s internal control. Such review had been completed and a report (the “IC Report”) had been issued to Town Health and the SFC.

The SFC had considered the IC Report and other documents and information submitted by Town Health and the SFC has, by notice to the Stock Exchange and pursuant to section 9(3) of the SMLR, permitted the dealings in the shares of Town Health to recommence subject to the resumption conditions as disclosed in the announcement of Town Health dated 26 February 2021.

The SFC has permitted dealings in the shares of Town Health to recommence pursuant to section 9(3) of the SMLR with effect from 9:00 a.m. on 1 March 2021.

BUSINESS OUTLOOK

Global economic fundamentals look to be in better shape in 2021. Various COVID-19 vaccination programmes have been launched in several countries, signs of hope are starting to emerge, which will help support a solid economic recovery. An economic turnaround will also help bolster a business rebound as well as increase profits, which will play a key role in supporting the development of the Hong Kong stock market. Furthermore, Hong Kong’s low interest rate environment looks set to continue, which is expected to promote investments in various enterprises and enhance market liquidity, further stimulating economic recovery. In addition, in lockstep with the growth of the economy, the business market will become more active, which will stimulate the demand for loans.

The current Sino-US trade dispute has created a great deal of economic uncertainty. This coupled with America’s sanctions on Chinese companies will inevitably accelerate the pace of return of major China companies back to the Stock Exchange, which will serve as a growth engine for the IPO market. As such, according to PwC Hong Kong could regain the top position for most funds raised among global IPO fundraising markets in 2021.

Hong Kong and mainland China have enjoyed mutually close ties for decades and mainland investors prefer Hong Kong stock market as their investment destination. The Territory’s stock market trading is dynamic, helping to fuel an increase in net capital inflows. As mainland funds continue to stream in and support the Hong Kong stock market, this will help strengthen its cooperation with China. Gradually expanding the scope of “interconnected” stocks and speeding up the implementation of the “Cross Border Financing Link” will significantly help boost market trading sentiment. This, in turn, will benefit the development of Hong Kong stock market and provide the local financial sector greater room for development.

Power Securities' financial services segment closely adheres to the compliance and risk-based measures detailed in its operation manual and will continue to source additional revenue and broaden the customer base for its margin financing operations. The Group will further expand its business by hiring licensed representatives dismissed by small- and mid-sized brokerage firms which have closed down, with a view that such licensed representatives can help carry over their existing customer base to the Group. Bolstered by sufficient cash reserves, the Group may seek to leverage business connections between the AEs of Power Securities and AEs/ROs of small- and mid-sized brokerage firms in order to obtain additional referrals of margin financing clients from these companies. On the other hand, the Group will also leverage its broad social networks to introduce potential customers to existing and newly joined AEs with attractive remuneration packages and commission rebates to take advantage of their in-depth client relationships and thus capture more transactions. Furthermore, the Group aims to migrate into the IPO margin financing business. In October 2020, the Group made arrangements with a licensed bank to provide IPO financing facilities, which will be used for IPO margin financing to clients. With the adoption of a more aggressive development strategy and continue recruiting talents to expand the client base, the Group is poised to expand its horizons and scale new heights in the years to come.

The Group will also revamp its ECM business by building a research and analysis team with solid academic backgrounds in finance as well as experience in applying corporate finance analytical techniques to review and select the best quality and most profitable ECM deals in order to maximise opportunities and secure greater business deals where possible. The Group anticipates that ECM business will become a solid source of revenue to complement other business sectors of the Group.

The Group plans to expand the scope of money lending business into retail lending and project financing. For retail lending, a new wholly-owned subsidiary – E Cash Fintech Limited (“E Cash”), was incorporated on 31 July 2020, and obtained a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) on 8 December 2020. The Group will also employ a new team of experienced staff to support its expansion into the retail lending business for corporations and individuals with smaller loan size needs. Under this scenario, E Finance itself can concentrate on first mortgage loans, sub-mortgage loans, as well as corporate and individual loans involving larger loan amounts. Stringent scrutiny and a thorough credit assessment will be applied for each single loan approval. For project financing, the Group seeks to offer project financing services to its customers based on feasibility studies, including but not limited to, the cash flow generated at the end of a project while at the same time using the assets, rights, and interests of the concerned projects as collateral.

To help optimize the efficiency of money lending procedures, the Group will upgrade its loan management system to better monitor and manage loan portfolios as well as improve overall efficiency in loan operations. E Cash is currently creating its own website and mobile application for money lending platform, which is expected to be released and in use during the second half of 2021. The promotion of digitalized and smart trading services will enable the Group to offer better users experience and strengthen our core competences in the fintech era.

The Group's trading segment aims to enlarge its customer base and product list. To this end, the Group will negotiate with domestic and overseas suppliers for exclusive distribution of a range of healthcare-related products. Moreover, the Group will also seek to expand distribution channels for the Group's products on a consignment basis via online sales platforms and through co-operation with local retail outlets.

The Group will also continue to cautiously monitor the business environment and market conditions as they relate to assets investment business operations. The Group will work towards prudently securing and managing new market opportunities by leveraging the low interest rate environment in Hong Kong, carefully reviewing investment policies and procedures, and looking to rationally adjust the direction of the Group's bond investments.

The economy is widely anticipated to recover slowly from the current COVID-19 pandemic. For this reason, the Group will closely monitor the changing business environment and seek out opportunities for long-term sustainable and steady growth. Furthermore, we will carefully pursue all potential viable investment and business opportunities to further develop existing business segments while also expanding the customer base as well as deepening relationships with current customers. In addition, the Group will increase its competitive edge by building a team of talented people with extensive experience and professional knowledge in order to bring about a new company dynamic that will spur revenue growth and create more value for the shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2020, the Group held bank balances and cash of approximately HK\$204,512,000 (2019: HK\$389,225,000). Net current assets amounted to approximately HK\$1,245,863,000 (2019: HK\$1,034,024,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 41.14 times (2019: 21.44 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 2.33% (2019: 3.54%).

As at 31 December 2020, the Group had outstanding borrowings of approximately HK\$Nil (2019: HK\$20,800,000). As at 31 December 2019, the borrowings were unsecured and carried interest at 7% per annum and repayable in accordance with the relevant loan note certificates. As the Group's bank balances and cash and borrowings were mainly denominated in Hong Kong dollars and United States dollars, there is no material risk in exchange rate fluctuation.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2020, no asset of the Group was charged to any parties (2019: Nil).

CAPITAL COMMITMENT

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

	2020 <i>HK\$'000</i>	2019 <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 asset at FVTPL	<u>4,211</u>	<u>5,198</u>

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed 29 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

The Company endeavours in maintaining good corporate governance for the enhancement of shareholders' value. The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the Year, except the code provision A.2.1 which requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Choi Chun Chung, Danny ("Mr. Choi") has been appointed as the chief executive officer of the Company with effect from 2 January 2019 and continues to act as the chairman of the Board. However, 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 of the Board and the chief executive officer of the Company 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. Kwok Sze Kong (the chairman of the Audit Committee), Ms. Chan Kar Yin, Polly and Mr. Chiu Ka Wai, Ellis. During the Year, the Audit Committee reviewed the Group's audited consolidated financial statements for the year ended 31 December 2019 and the unaudited consolidated financial information for the six months ended 30 June 2020 respectively, discussed audit scope and findings with the Company's independent auditor, reviewed the Group's financial reporting system, risk management and internal control system and the effectiveness of internal audit function, and made recommendation to the Board regarding appointment and remuneration of the external auditor, discuss with the external auditor regarding audit planning. In the meeting of the Audit Committee of March 2021, 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, 19 March 2021

As at the date of this announcement, the executive Directors are Mr. Choi Chun Chung, Danny and Mr. Siu Kam Chau; and the independent non-executive Directors are Ms. Chan Kar Yin, Polly, Mr. Chiu Ka Wai, Ellis and Mr. Kwok Sze Kong.