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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 INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**FINANCIAL HIGHLIGHTS**

For the six months ended 30 June 2021:

- The Group recorded revenue of approximately HK\$49,727,000 (six months ended 30 June 2020: HK\$52,863,000).
- Profit attributable to owners of the Company amounted to approximately HK\$171,611,000 (six months ended 30 June 2020: HK\$10,853,000).
- The Board does not recommend the payment of an interim dividend.

As at 30 June 2021:

- The Group held financial assets at fair value through profit or loss of approximately HK\$456,355,000 (31 December 2020: HK\$294,903,000).
- The Group held financial assets at fair value through other comprehensive income of approximately HK\$52,431,000 (31 December 2020: HK\$102,304,000).
- The Group held bank balances and cash of approximately HK\$114,312,000 (31 December 2020: HK\$204,512,000), loans and interest receivables of approximately HK\$705,819,000 (31 December 2020: HK\$590,717,000) respectively.
- Net current assets amounted to approximately HK\$1,426,884,000 (31 December 2020: HK\$1,245,863,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 39.34 times (31 December 2020: 41.14 times).
- Net assets amounted to approximately HK\$1,590,229,000 (31 December 2020: HK\$1,422,184,000).

## INTERIM FINANCIAL INFORMATION

The board (the “Board”) of directors (the “Directors”) of Power Financial Group Limited (the “Company”) presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 together with the unaudited comparative figures for the corresponding period in 2020.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
<b>Revenue</b>	3	<b>49,727</b>	52,863
Direct operating costs		<u>(6,495)</u>	<u>(17,259)</u>
<b>Gross profit</b>		<b>43,232</b>	35,604
Other income, gains and losses	5	<b>169,499</b>	1,959
Administrative expenses		<b>(40,754)</b>	(25,541)
Finance costs	6	<u>(268)</u>	<u>(274)</u>
Profit before tax	7	<b>171,709</b>	11,748
Income tax expense	8	<u>(105)</u>	<u>(904)</u>
<b>Profit for the period</b>		<u><b>171,604</b></u>	<u>10,844</u>
<b>Other comprehensive expense for the period</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Fair value changes of debt instruments at fair value through other comprehensive income		<u>(3,559)</u>	<u>(9,504)</u>
Other comprehensive expense for the period, net of income tax		<u>(3,559)</u>	<u>(9,504)</u>
<b>Total comprehensive income for the period</b>		<u><b>168,045</b></u>	<u>1,340</u>

		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Notes</i>		
<b>Profit/(loss) for the period attributable to:</b>			
– Owners of the Company		<b>171,611</b>	10,853
– Non-controlling interests		<u><b>(7)</b></u>	<u>(9)</u>
		<b>171,604</b>	<b>10,844</b>
<b>Total comprehensive income/(expense) for the period attributable to:</b>			
– Owners of the Company		<b>168,052</b>	1,349
– Non-controlling interests		<u><b>(7)</b></u>	<u>(9)</u>
		<b>168,045</b>	<b>1,340</b>
		<b>HK cents</b>	<b>HK cents</b>
<b>Earnings per share</b>			
– Basic and diluted	10	<u><b>6.17</b></u>	<u>0.39</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

		At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		61,967	64,787
Goodwill		136	136
Other intangible asset		1,300	1,300
Loans and interest receivables	11	734	147
Debt instruments at fair value through other comprehensive income		26,068	45,536
Financial assets at fair value through profit or loss		72,960	67,144
Other assets		180	180
		<u>163,345</u>	<u>179,230</u>
<b>Current assets</b>			
Inventories		–	513
Loans and interest receivables	11	705,085	590,570
Trade and other receivables	12	213,722	180,882
Income tax recoverable		–	105
Debt instruments at fair value through other comprehensive income		26,363	56,768
Financial assets at fair value through profit or loss		383,395	227,759
Bank trust account balances		21,224	15,795
Bank balances and cash		114,312	204,512
		<u>1,464,101</u>	<u>1,276,904</u>
<b>Current liabilities</b>			
Trade and other payables	13	30,226	24,104
Income tax payable		700	700
Lease liabilities		6,291	6,237
		<u>37,217</u>	<u>31,041</u>
<b>Net current assets</b>		<u>1,426,884</u>	<u>1,245,863</u>

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
<b>Total assets less current liabilities</b>	<b>1,590,229</b>	1,425,093
<b>Non-current liabilities</b>		
Lease liabilities	—	2,909
<b>Net assets</b>	<b>1,590,229</b>	1,422,184
<b>Capital and reserves</b>		
Share capital	27,836	27,836
Reserves	1,560,540	1,392,488
<b>Equity attributable to owners of the Company</b>	<b>1,588,376</b>	1,420,324
Non-controlling interests	1,853	1,860
<b>Total equity</b>	<b>1,590,229</b>	1,422,184

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000	Investment revaluation reserve HK\$'000	Share-based payments reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2020 (Audited)	27,836	3,800,250	861	494,907	249	(1,483)	1,969	(2,942,783)	1,381,806	1,871	1,383,677
Profit/(loss) for the period	-	-	-	-	-	-	-	10,853	10,853	(9)	10,844
Other comprehensive expense for the period	-	-	-	-	-	(9,504)	-	-	(9,504)	-	(9,504)
Total comprehensive income/ (expense) for the period	-	-	-	-	-	(9,504)	-	10,853	1,349	(9)	1,340
Recognition of equity-settled share-based payments	-	-	-	-	-	-	587	-	587	-	587
At 30 June 2020 (Unaudited)	27,836	3,800,250	861	494,907	249	(10,987)	2,556	(2,931,930)	1,383,742	1,862	1,385,604
At 1 January 2021 (Audited)	27,836	3,800,250	861	494,907	249	(7,829)	1,311	(2,897,261)	1,420,324	1,860	1,422,184
Profit/(loss) for the period	-	-	-	-	-	-	-	171,611	171,611	(7)	171,604
Other comprehensive expense for the period	-	-	-	-	-	(3,559)	-	-	(3,559)	-	(3,559)
Total comprehensive income/ (expense) for the period	-	-	-	-	-	(3,559)	-	171,611	168,052	(7)	168,045
Lapse of share options	-	-	-	-	-	-	(1,311)	1,311	-	-	-
Effects of capital reorganisation	-	(3,800,250)	-	(494,907)	-	-	-	4,295,157	-	-	-
At 30 June 2021 (Unaudited)	27,836	-	861	-	249	(11,388)	-	1,570,818	1,588,376	1,853	1,590,229

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Operating activities</b>		
Net cash used in operating activities	<u>(91,290)</u>	<u>(115,172)</u>
<b>Investing activities</b>		
Interest received	72	1,387
Purchase of property, plant and equipment	(2,391)	–
Purchase of investment funds	(170)	–
Proceeds from disposal of investment funds	<u>6,702</u>	<u>6,099</u>
Net cash generated from investing activities	<u>4,213</u>	<u>7,486</u>
<b>Financing activities</b>		
Interest paid	–	(107)
Payments of lease liabilities	(3,123)	(1,955)
Repayments of loan notes	<u>–</u>	<u>(20,800)</u>
Net cash used in financing activities	<u>(3,123)</u>	<u>(22,862)</u>
<b>Decrease in cash and cash equivalents</b>	<u>(90,200)</u>	<u>(130,548)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>204,512</u>	<u>389,225</u>
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>	<u><u>114,312</u></u>	<u><u>258,677</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

These condensed consolidated interim financial information have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). These condensed consolidated interim financial information were authorised for issue on 30 August 2021.

These condensed consolidated interim financial information are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These condensed consolidated interim financial information contain condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. These condensed consolidated interim financial information and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2020 annual financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated interim financial information have been prepared on the historical basis, with the same accounting policies adopted in the 2020 annual financial statements, except for those that relate to new standards or interpretations issued by the HKICPA mandatory for the annual periods beginning on 1 January 2021. The effect of the adoption of these standards, amendments and interpretation is not material on these condensed consolidated interim financial information.

In preparing these condensed consolidated interim financial information, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2020 annual financial statements.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group:

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

The adoption of these amendments to HKFRSs does not have any significant financial effect on the Group’s condensed consolidated interim financial information.

The Group has not adopted new or amendments to HKFRSs that have been issued but are not yet effective in advance. The Directors anticipate that the adoption of these new or amendments to HKFRSs will have no material impact on the results and financial position of the Group.



### 3. REVENUE

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income from money lending	32,682	22,887
Interest income from bond investments	3,120	9,314
Income from financial services		
– Commission income from securities brokerage	1,810	997
– Commission income from placing	–	197
– Interest income from clients	10,349	4,687
Trading of healthcare related products	1,766	14,781
	<u>49,727</u>	<u>52,863</u>

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Income from financial services		
– Commission income from securities brokerage	1,810	997
– Commission income from placing	–	197
Trading of healthcare related products	1,766	14,781
	<u>3,576</u>	<u>15,975</u>

### 4. 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's reportable segments are managed separately as each business offers different products and services and require different business strategies. The following summary describes the operation 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 revenue and results

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

*For the six months ended 30 June 2021*

	Financial services segment (Unaudited) HK\$'000	Money lending segment (Unaudited) HK\$'000	Trading segment (Unaudited) HK\$'000	Assets investment segment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Revenue</b>					
Revenue from external customers	12,159	32,682	1,766	3,120	49,727
<b>Other income, gains and losses</b>					
Dividend income from listed equity securities	–	–	–	60	60
Gain on disposal of debt instruments at fair value through other comprehensive income ("FVTOCI")	–	–	–	794	794
Gain on fair value changes of financial assets at fair value through profit or loss ("FVTPL")	–	–	–	167,194	167,194
	<u>12,159</u>	<u>32,682</u>	<u>1,766</u>	<u>171,168</u>	<u>217,775</u>
<b>Results</b>					
Segment results	6,519	11,081	(813)	158,934	175,721
Unallocated corporate income					1,251
Unallocated corporate expenses					(4,995)
Finance costs					<u>(268)</u>
Profit before tax					<u>171,709</u>

**For the six months ended 30 June 2020**

	Financial services segment (Unaudited) HK\$'000	Money lending segment (Unaudited) HK\$'000	Trading segment (Unaudited) HK\$'000	Assets investment segment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Revenue</b>					
Revenue from external customers	5,881	22,887	14,781	9,314	52,863
<b>Other income, gains and losses</b>					
Dividend income from listed equity securities	—	—	—	13	13
Loss on disposal of debt instruments at FVTOCI	—	—	—	(2,329)	(2,329)
Gain on fair value changes of financial assets at FVTPL	—	—	—	2,838	2,838
	<u>5,881</u>	<u>22,887</u>	<u>14,781</u>	<u>9,836</u>	<u>53,385</u>
<b>Results</b>					
Segment results	(2,121)	16,020	462	(1,101)	13,260
Unallocated corporate income					1,387
Unallocated corporate expenses					(2,625)
Finance costs					(274)
Profit before tax					<u>11,748</u>

Segment revenue represents revenue from external customers shown above. There were no inter-segment sales for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit/(loss) from each segment without allocation of certain Directors' emoluments, certain other income, gains and losses and certain administrative expenses and finance costs. 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:

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
<b>Segment assets</b>		
Financial services segment	223,031	180,140
Money lending segment	711,387	592,488
Trading segment	–	862
Assets investment segment	575,057	517,281
	<hr/>	<hr/>
Total segment assets	1,509,475	1,290,771
Unallocated assets		
– Bank balances and cash	104,619	147,730
– Other unallocated assets	13,352	17,633
	<hr/>	<hr/>
Consolidated total assets	<u>1,627,446</u>	<u>1,456,134</u>
<b>Segment liabilities</b>		
Financial services segment	28,134	21,155
Money lending segment	858	717
Trading segment	81	388
Assets investment segment	714	1,528
	<hr/>	<hr/>
Total segment liabilities	29,787	23,788
Unallocated liabilities	7,430	10,162
	<hr/>	<hr/>
Consolidated total liabilities	<u>37,217</u>	<u>33,950</u>

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), certain other receivables and prepayments, certain bank balances and cash, goodwill and income tax recoverable not allocated to segment assets; and
- all liabilities are allocated to operating segments other than lease liabilities, income tax payable and certain other payables and accruals not allocated to segment liabilities.

## Geographic information

The geographical location of customers is based on the location of 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	
	Six months ended 30 June		As at 30 June	As at 31 December
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	49,727	45,087	63,403	66,223
United States of America	–	7,776	–	–
	<u>49,727</u>	<u>52,863</u>	<u>63,403</u>	<u>66,223</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 six months ended 30 June 2021. For the six months ended 30 June 2020, revenue from a major customer accounted for over 10% of the total revenue of the Group is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A (revenue from trading business)	<u>N/A*</u>	<u>6,487</u>

\* The corresponding revenue did not contribute 10% or more of the total revenue for the six months ended 30 June 2021.

## 5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	72	1,387
Sundry income	90	50
Rental income	1,289	–
Dividend income from listed equity securities	60	13
Gain on fair value changes of financial assets at FVTPL	167,194	2,838
Gain/(loss) on disposal of debt instruments at FVTOCI	<u>794</u>	<u>(2,329)</u>
	<u>169,499</u>	<u>1,959</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	268	167
Interest on loan notes	–	107
	<u>268</u>	<u>274</u>

## 7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging/(crediting):		
Staff costs:		
– Directors' emoluments, excluding equity-settled share-based payments	7,522	6,948
– Other staff costs (Note below)	8,130	5,828
– Equity-settled share-based payments (including directors' equity-settled payments)	–	587
	<u>15,652</u>	<u>13,363</u>
Cost of inventories recognised as an expense	1,495	14,163
Depreciation of property, plant and equipment	5,211	4,492
Exchange losses, net	1,245	762
Impairment loss recognised as administrative expenses on:		
– debt instruments at FVTOCI	1,613	–
– loans and interest receivables	10,585	538
– trade receivables	1,003	1,423
Impairment loss on trade receivables reversed	(9)	(7)
	<u>(9)</u>	<u>(7)</u>

*Note:* Included in other staff costs are contributions of retirement benefits scheme amounted to approximately HK\$210,000 (six months ended 30 June 2020: HK\$172,000).

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
– Hong Kong Profits Tax	–	904
– Under-provision in respect of prior period	105	–
	<u>105</u>	<u>–</u>
Income tax expense	<u>105</u>	<u>904</u>

Hong Kong Profits Tax for both of the periods presented is calculated at 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% for the portion of the estimated assessable profits of the qualifying group 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% for both periods.

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

## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 10. EARNINGS PER SHARE

### Basic earnings per share

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Earnings</i>		
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	<u>171,611</u>	<u>10,853</u>
	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	'000	'000
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>2,783,553</u>	<u>2,783,553</u>

## Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2021 and 2020 are not presented as there were no potential shares in issue for both periods.

For the six months ended 30 June 2020, the computation of diluted earnings 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 the period.

## 11. LOANS AND INTEREST RECEIVABLES

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Loans and interest receivables thereon		
– Within one year	717,635	597,857
– In the second to fifth year	153	147
	717,788	598,004
Less: impairment loss recognised	(11,969)	(7,287)
	705,819	590,717
Analysed for reporting purpose as:		
Non-current assets	734	147
Current assets	705,085	590,570
	705,819	590,717

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

### As at 30 June 2021 (Unaudited)

Loan principals HK\$'000	Interest rate per annum	Maturity date	Security pledged
350,007	9%–36%	Within 1 year to 5 years	Landed properties in Hong Kong, exclusive distribution rights and copyrights of films and shares of certain listed and unlisted companies
105,450	4%–18%	Within 1 year	Guarantees provided by certain independent third parties
259,091	7%–36%	Within 1 year to 5 years	Nil
714,548			



**As at 31 December 2020 (Audited)**

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

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 table below details the credit risk exposures of the Group's loans and interest receivables, which are subject to ECL assessment:

	<b>12-month ECL (Stage 1) <i>HK\$'000</i></b>	<b>Lifetime ECL not credit- impaired (Stage 2) <i>HK\$'000</i></b>	<b>Lifetime ECL credit- impaired (Stage 3) <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Gross carrying amounts</b>				
<b>As at 30 June 2021 (Unaudited)</b>	<b>582,340</b>	<b>–</b>	<b>135,448</b>	<b>717,788</b>
<b>As at 31 December 2020 (Audited)</b>	<b>543,341</b>	<b>–</b>	<b>54,663</b>	<b>598,004</b>

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

	<b>12-month ECL (Stage 1) <i>HK\$'000</i></b>	<b>Lifetime ECL not credit- impaired (Stage 2) <i>HK\$'000</i></b>	<b>Lifetime ECL credit- impaired (Stage 3) <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>As at 30 June 2021 (Unaudited)</b>	<b>2,510</b>	<b>–</b>	<b>9,459</b>	<b>11,969</b>
<b>As at 31 December 2020 (Audited)</b>	<b>1,384</b>	<b>–</b>	<b>5,903</b>	<b>7,287</b>

## 12. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Trade receivables from:		
Trading business ( <i>Note (a)</i> )	1,003	346
Less: allowance for impairment loss	<u>(1,003)</u>	<u>–</u>
	<u>–</u>	<u>346</u>
Financial services business		
– Cash clients ( <i>Note (b)</i> )	797	1,287
– Margin clients ( <i>Note (c)</i> )	199,159	198,524
– Clearing house ( <i>Note (b)</i> )	370	1,431
Less: allowance for impairment loss	<u>(234)</u>	<u>(38,236)</u>
	<u>200,092</u>	<u>163,006</u>
	200,092	163,352
Other receivables and prepayments ( <i>Note (d)</i> )	<u>13,630</u>	<u>17,530</u>
Total trade and other receivables	<u><u>213,722</u></u>	<u><u>180,882</u></u>

### 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 (31 December 2020: 30 days). 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:

	<b>At 30 June 2021 (Unaudited) HK\$'000</b>	At 31 December 2020 (Audited) HK\$'000
Within 30 days	<u>–</u>	<u>346</u>

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

	<b>At 30 June 2021 (Unaudited) HK\$'000</b>	At 31 December 2020 (Audited) HK\$'000
1 to 30 days	<u>–</u>	<u>346</u>

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$Nil (31 December 2020: HK\$346,000) which are past due as at the reporting date.

As at 30 June 2021, an aggregate allowance for impairment loss of approximately HK\$1,003,000 (31 December 2020: Nil) was made for estimated irrecoverable trade receivables.

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 transacted 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.

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

	<b>12-month 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 amounts</b>				
<b>As at 30 June 2021 (Unaudited)</b>	<b>933</b>	<b>234</b>	<b>–</b>	<b>1,167</b>
As at 31 December 2020 (Audited)	2,475	243	–	2,718

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

	<b>12-month 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 2020 (Audited)	–	259	–	259
Impairment loss reversed during the year	–	(16)	–	(16)
As at 31 December 2020 (Audited)	–	243	–	243
Impairment loss reversed during the period	–	(9)	–	(9)
<b>As at 30 June 2021 (Unaudited)</b>	<b>–</b>	<b>234</b>	<b>–</b>	<b>234</b>

No aged analysis is disclosed as, in the opinion of the Directors, such disclosure is not meaningful in view of the nature of the business of dealing in securities.

(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 30 June 2021, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK\$1,198,149,000 (31 December 2020: HK\$809,612,000).

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.

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-month 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 amounts</b>				
<b>As at 30 June 2021 (Unaudited)</b>	<b>199,159</b>	<b>–</b>	<b>–</b>	<b>199,159</b>
As at 31 December 2020 (Audited)	160,531	37,993	–	198,524

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

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

	<b>12-month 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 2020 (Audited)	–	35,074	–	35,074
Impairment loss recognised for the year	–	2,919	–	2,919
As at 31 December 2020 (Audited)	–	37,993	–	37,993
Impairment loss eliminated on receivables written off during the period	–	(37,993)	–	(37,993)
<b>As at 30 June 2021 (Unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

(d) Other receivables and prepayments

As at 30 June 2021, other receivables and prepayments included a balance of approximately HK\$7,115,000 (31 December 2020: HK\$13,214,000) due from an independent 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 such balance is assessed to be immaterial.

### 13. TRADE AND OTHER PAYABLES

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Trade payables from:		
Trading business ( <i>Note (a)</i> )	41	388
Financial services business		
– Cash clients ( <i>Note (b)</i> )	9,466	6,412
– Margin clients ( <i>Note (b)</i> )	10,576	10,769
– Clearing house ( <i>Note (b)</i> )	6,953	2,604
	26,995	19,785
	27,036	20,173
Other payables and accruals	3,190	3,931
Total trade and other payables	30,226	24,104

*Notes:*

(a) Trading business

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

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Within 30 days	41	388

(b) Financial services business

The 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.

#### 14. OPERATING LEASE ARRANGEMENTS

##### The Group as a lessor

The Group leases out certain office premises in Hong Kong under operating leases. The leases typically run for a term ranging from one to two years. None of the leases under contingent rentals. At the end of the reporting period, the Group's aggregate future minimum rental income receivables under non-cancellable operating leases are as follows:

	<b>At 30 June 2021 (Unaudited) HK\$'000</b>	<b>At 31 December 2020 (Audited) HK\$'000</b>
Within one year	<b>1,340</b>	1,228
More than one year but less than five years	<b>412</b>	1,025
	<b><u>1,752</u></b>	<b><u>2,253</u></b>

#### 15. CAPITAL COMMITMENT

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

	<b>At 30 June 2021 (Unaudited) HK\$'000</b>	<b>At 31 December 2020 (Audited) HK\$'000</b>
Commitment contracted for but not provided for in respect of investment in an investment fund currently held by the Group	<b><u>4,041</u></b>	<b><u>4,211</u></b>

## 16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information approximate their fair values.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used).

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s)
	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000		
Equity securities listed in Hong Kong classified as financial assets at FVTPL	374,742	47,124	Level 1	Quoted bid prices
Equity securities listed in Hong Kong, the trading on the Stock Exchange were suspended, are classified as financial assets at FVTPL	1,853	1,346	Level 3	Index return method
	6,800	179,289	Level 3	Guideline public company method
Unlisted investment funds classified as financial assets at FVTPL	72,960	67,144	Level 2	Net asset values provided by fund administrators
Listed bond investments classified as debt instruments at FVTOCI	52,431	102,304	Level 1	Quoted bid prices
	<u>          </u>	<u>          </u>		

During the six months ended 30 June 2021, there was a transfer of fair value measurements into Level 1 from Level 3 for financial assets at FVTPL and the movements in fair value measurements in Level 3 are as follows:

Financial assets at FVTPL	HK\$'000
As at 1 January 2021 (Audited)	180,635
Gain on fair value changes	2,107
Transfer to Level 1	<u>(174,089)</u>
<b>As at 30 June 2021 (Unaudited)</b>	<b><u>          8,653          </u></b>

There were no transfers between the different levels of the fair value hierarchy for the year ended 31 December 2020.



## **17. CONTINGENT LIABILITIES**

### **(a) 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.

### **(b) 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

**(c) 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, a former Director, was stayed. On 24 June 2019, Power Securities and Mr. Sit Sai Hung, Billy 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. The appeal hearing took place on 9 July 2021. As at the date of this announcement, the judgment has not been handed down.

**(d) 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 (c) 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 (c) 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 (c) above, Mr. Sin’s claim was struck out. On 9 March 2020, Mr. Sin filed a notice of appeal against Coleman J’s Order. The appeal hearing took place on 9 July 2021. As at the date of this announcement, the judgment has not been handed down.

Given that the aforementioned cases (a) and (b) are still in an early stage and the judgment of the appeal hearing for cases (c) and (d) has yet to be handed down, and having considered the alleged claims and consulted the Company’s legal adviser, the Directors are of the view 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.

## **18. EVENT AFTER THE REPORTING DATE**

On 16 July 2021, Moonscope Limited (the “Purchaser”), a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with an independent third party, Kong King Ong Alexander (the “Vendor”), pursuant to which (i) the Purchaser agreed to purchase and the Vendor agreed to sell an aggregate of 609,000 shares in, representing approximately 1.05% of the issued share capital of TNG FinTech Group Inc. (“TNG FinTech”) at the consideration of US\$4,200,000 (equivalent to approximately HK\$32,760,000)(the “Acquisition”); and (ii) the Vendor granted a call option to the Purchaser which may be exercised by the Purchaser at any time within nine months after the date of the completion of the Acquisition to require the Vendor to sell an aggregate of 260,000 shares in, representing approximately 0.45% of, the issued share capital of TNG FinTech, to the Purchaser at the call option price (being US\$1,793,103 (equivalent to approximately HK\$13,986,203)) (the “Call Option”). The completion of the Acquisition took place on 16 July 2021. Further details of the Acquisition and the Call Option are disclosed in the announcement of the Company dated 16 July 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the six months ended 30 June 2021 (the “Period”), the Group recorded a slight decrease in revenue from approximately HK\$52,863,000 for the corresponding period of 2020 to approximately HK\$49,727,000 for the Period. The Group’s approximately 5.9% slight decrease in revenue during the Period was mainly due to: (i) a significant increase in sustainable interest income from money lending business from approximately HK\$22,887,000 for the corresponding period of 2020 to approximately HK\$32,682,000 for the Period, which continued to be a major source of revenue of the Group, accounted for approximately 65.7% of the total revenue (2020: 43.3%), and represented an increase of approximately 42.8% compared with that of the corresponding period of 2020; (ii) a significant improvement from margin financing business, which is one of the core businesses under Type 1 licensed activities governed by the Securities and Futures Commission. The total turnover (comprising the commission from securities brokerage and interest from clients) amounted to approximately HK\$12,159,000 (2020: HK\$5,881,000), representing an increase of approximately 106.8%; (iii) a significant decrease in turnover of trading segment by approximately HK\$13,015,000 (or approximately 88.1%) as a result of fierce competition in the market of surgical face mask, hand sanitizers and alcohol sprays from the second half of 2020 onwards, the turnover dropped remarkably from approximately HK\$14,781,000 for the corresponding period of 2020 to approximately HK\$1,766,000 for the Period.

The net profit attributable to owners of the Company increased significantly from approximately HK\$10,853,000 for the corresponding period of 2020 to approximately HK\$171,611,000 during the Period. Such increase was mainly arising from a gain on fair value changes of financial assets at fair value through profit or loss (including equity securities listed in Hong Kong and unlisted investment funds) of approximately HK\$167,194,000 for the Period.

The Group’s cash position remained strong at the end of the Period, which was mainly attributable to the sufficient cash reserve and business opportunities for sustainable growth in loan portfolio for money lending business and customer base for financial services business. The Group has bank balances and cash totaling approximately HK\$114,312,000 (31 December 2020: HK\$204,512,000).

### **BUSINESS REVIEW**

The global economy continued to make progress in moving on from the Coronavirus Disease 2019 (“COVID-19”) pandemic. Vaccines became a key catalyst and decisive factor for economic recovery during the first half of 2021. According to statistics from Bloomberg, global gross domestic product (“GDP”) grew by 4.6% in the first half of 2021. Meanwhile, the global stock markets have seen a comprehensive upward trend, and major stock markets such as the United States, Europe, and Asia have all shown large gains.

As global economic conditions improved and the local epidemic gradually subsided, Hong Kong's economy was on the path to recovery. The real GDP in the first half of 2021 grew by 7.8% year-on-year. The Hong Kong stock market also regained its vitality. According to statistics from the Hong Kong Exchanges and Clearing Limited, the average daily turnover for the first six months of 2021 was HK\$188.2 billion, an increase of 60% when compared with HK\$117.5 billion for the same period last year. And total funds raised for the first six months of 2021 was HK\$482.5 billion, an increase of 108% when compared with HK\$232.3 billion for the same period last year. In terms of initial public offering ("IPO"), there were 47 new listings in Hong Kong during this period. Total funds raised reached HK\$212.96 billion, which doubled the total funds raised in the first 6 months of the last corresponding year.

In responding to the more active investment atmosphere and the gradual pick-up of the local economy, the Group flexibly adjusted its development strategy and put more resources on financial services and money lending businesses, which recorded an upsurge in revenue for the Group.

## **Financial Services**

The Group's financial services mainly include securities brokerage and margin financing services. Meanwhile, the securities brokerage and margin financing services are conducted through, Power Securities, a wholly owned subsidiary of the Company licensed to carry on Type 1 (dealing with securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Group continued to get more margin financing clients through the referral of authorised executives ("AEs") with performance-related commission for incentives, and social network of responsible officers ("ROs") and senior management of the Group since 2020. Revenue, transaction volume and number of margin and cash clients were improved during the Period. During the Period, financial services business segment generated revenue of approximately HK\$12,159,000 (2020: HK\$5,881,000).

As at 30 June 2021, number of outstanding margin loan clients and outstanding margin loan receivables also sustainably increased by approximately 6% and 24% than those at the beginning of the Period respectively. Interest income from clients (comprising margin clients and cash clients) amounted to approximately HK\$10,349,000 for the Period compared with that of approximately HK\$4,687,000 for the corresponding period of 2020, representing a hike of approximately 120.8%. The Group was pleased to record a turnaround from segment loss of approximately HK\$2,121,000 for the corresponding period of 2020 to segment profit of approximately HK\$6,519,000 during the Period.

## Money Lending

The Group's money lending business is conducted through its wholly-owned subsidiaries, E Finance Limited ("E Finance") and E Cash Fintech Limited ("E Cash"). The Group provides loans under four broad categories, namely, (a) property mortgage (including first mortgage, second mortgage and sub-mortgage) loans, (b) share mortgage loans, (c) guaranteed loans to individuals and corporations with good credit records in Hong Kong and (d) unsecured loans. E Finance is concentrated on property mortgage loans as well as corporate and individual loans involving larger loan amounts while E Cash puts a focus on retail lending business for corporations and individuals with relatively smaller loan size needs. The Group strived to adhere to a set of comprehensive policy and procedural manual in respect of loan approval, loan renewal, loan top-up, loan recovery, loan compliance, monitoring and anti-money laundering. Meanwhile, the Group managed to maintain a sizable loan portfolio with healthy effective interest rates and built up a wide and solid customer base.

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 throughout the Period. Since 2019, licensed banks in Hong Kong adopted tightened credit measures, such as low loan-to-value (LTV) ratio for mortgage loan, 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, the Group has adopted a more flexible and efficient approach to application approvals while maintaining stringent credit control, enabling the Group to capture more loan businesses and secure more opportunities throughout the Period.

The Group offered a wider range of interest rate during the Period in order to capture more business opportunities. The Group maintained a database of referral agents to broaden the customer base and distribution. With the continuous and enhanced marketing efforts of the Group, including successful connection with referral agents who referred potential borrowers for loan financing opportunities to the Group, both the number of existing loans and amount of loans receivables had shown a growing trend and reached 69 and approximately HK\$714,548,000 respectively as at 30 June 2021.

The prevailing adverse financial and economic conditions caused by the COVID-19 pandemic has posed negative impacts on the financial position and repayment ability of the Group's borrowers, resulting in impairment loss on loans and interest receivables by approximately HK\$10,585,000 for the Period as compared to that of approximately HK\$538,000 for the corresponding period of 2020.

During the Period, money lending business contributed revenue of approximately HK\$32,682,000, accounting for approximately 65.7% of overall revenue, and kept on being a major source of revenue of the Group, and generated a segment profit of approximately HK\$11,081,000 for the Period.

## **Trading**

Outbreak of COVID-19 in early 2020 had derived an enormous demand for healthcare products and protective gears against the pandemic. The Group grasped this business opportunities and designated an operating subsidiary, Power Global Trading Company Limited (“Power Global Trading”) with a team to run the trading business.

Due to the fierce competition in the market of surgical face mask, hand sanitizers and alcohol sprays since the second half of 2020 onwards, trading business only contributed revenue of approximately HK\$1,766,000 and reported a segment loss of approximately HK\$813,000 for the Period.

## **Assets Investment**

The Group’s assets investment business comprises a portfolio of bonds, funds, securities investments. During the Period, the Group adjusted the size of portfolio of its assets investment business segment so that it can reserve or reallocate more resources and funding to its better performing activities, including margin financing and money lending businesses. The Group achieved a turnaround from segment loss to segment profit for this segment, which was mainly attributable to the gain on fair value changes of financial assets at fair value through profit or loss, especially arising from listed equity securities investments and the stable interest income from bond investments.

In terms of bond investments, the Group maintained a certain number of listed bonds so as to generate stable and fixed interest income for the Group. The Group continued to downsize its bond investments as a result of the worsening market sentiments, bond price adjustments and the past default history of certain bonds during the Period. During the Period, interest income from bond investments amounted to approximately HK\$3,120,000, representing a decrease of approximately 66.5% from approximately HK\$9,314,000 for the corresponding period of 2020.

Looking at fund investments, the Group had interests in a total of four unlisted close-ended funds, the Group will continue to hold such funds until their respective maturity dates or until the early redemption of such funds. The Group’s designated investment team regularly monitored the underlying performance of the fund investments through updates from the fund administrators and discussion with the fund managers or general partners of the funds.



About securities investment, the Group maintained a certain number of Hong Kong listed securities. The Group had a designated investment team to monitor and assess the securities investments on a regular basis. The Group will gradually realise the securities investments depending on the Group's future business development and investment strategy, market condition and the performance and business prospect of such listed companies.

## **SIGNIFICANT INVESTMENTS**

As at 30 June 2021, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$456,355,000 (31 December 2020: HK\$294,903,000), including (a) equity securities of approximately HK\$383,395,000 (31 December 2020: HK\$227,759,000); and (b) unlisted investment funds of approximately HK\$72,960,000 (31 December 2020: HK\$67,144,000) respectively.

As at 30 June 2021, the Group's portfolio of financial assets at fair value through profit or loss comprised (a) 18 equity securities listed in Hong Kong; and (b) 4 unlisted investment funds. For the 18 listed equity securities, 17 of which accounted for approximately 3.45% of the Group's unaudited consolidated total assets as at 30 June 2021 and the remaining 1 accounted for approximately 20.11% of the Group's unaudited consolidated total assets as at 30 June 2021. For the 4 unlisted investment funds, each of which accounted for approximately 0.21% to 2.29% of the Group's unaudited consolidated total assets as at 30 June 2021.

As at 30 June 2021, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK\$52,431,000 (31 December 2020: HK\$102,304,000), all of which are listed bond investments. As at 30 June 2021, the Group's portfolio of financial assets at fair value through other comprehensive income comprised 9 bond investments listed in Hong Kong or Singapore, each of which accounted for approximately 0.10% to 0.75% of the Group's unaudited consolidated total assets as at 30 June 2021.

The Directors considered that investments with a carrying amount that account for more than 5% of the Group's unaudited consolidated total assets as at 30 June 2021 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 consolidated net assets as at		Dividends received during the Period	Realised gain during the Period	Unrealised gain/(loss) during the Period
		30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020			
		(HK\$'000)	(HK\$'000)	( '000)	( '000)					(HK\$'000)	(HK\$'000)	(HK\$'000)
<i>Significant investments</i>												
<b>Listed securities investments in Hong Kong</b>												
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 in the People's Republic of China ("PRC"), provision of hospital management services and related services; provision of miscellaneous healthcare related services and leasing of properties	327,260	174,089	674,762	674,762	8.97%	8.97%	20.58	12.24%	-	-	153,171
<i>Other investments</i>												
Other listed securities investments*		56,135	53,670							60	4,472	3,302
Unlisted investment funds <sup>#</sup>		72,960	67,144							-	-	6,249
<b>Grand total for the financial assets at fair value through profit or loss</b>		<b>456,355</b>	<b>294,903</b>							<b>60</b>	<b>4,472</b>	<b>162,722</b>

\* Other listed securities investments mainly comprise the Group's investments in 17 companies whose shares are listed on the Stock Exchange. Each of the investments has a carrying amount that accounted for not more than 5% of the Group's unaudited consolidated total assets as at 30 June 2021.

<sup>#</sup> Unlisted investment funds comprise 4 different private funds. The business/investment sector of 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 30 June 2021 (HK\$'000)	31 December 2020 (HK\$'000)	Interest income during the Period (HK\$'000)	Gain on disposal during the Period (HK\$'000)	Fair value changes recognised through other comprehensive income during the Period (HK\$'000)
Listed bond investments*	52,431	102,304	3,120	794	(3,559)
Grand total for the financial assets at fair value through other comprehensive income	52,431	102,304	3,120	794	(3,559)

\* The bond investments comprise 9 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 30 June 2021, 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, the respective investment cost amounted to approximately HK\$851,879,000, and the fair value of such investment was approximately HK\$327,260,000, representing approximately 20.11% of the Group's unaudited consolidated total assets as at 30 June 2021 and approximately 20.58% of the Group's unaudited consolidated net assets as at 30 June 2021.

During the Period, no dividend was received by the Group from Town Health and the Group recorded a fair value gain of approximately HK\$153,171,000 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 interim results for the six months ended 30 June 2021 dated 27 August 2021.

## **CAPITAL REORGANIZATION**

On 11 May 2021, the Board intended to put forward for approval by the shareholders of the Company (the “Shareholders”) a proposal of capital reorganization to cancel the entire amount standing to the credit of the share premium account to nil with the credit arising therefrom to be transferred to the contributed surplus account (“Proposed Share Premium Cancellation”) and to authorise the Board to apply such amount in such manner as permitted under the laws of Bermuda and the Bye-laws. The Proposed Share Premium Cancellation and the subsequent transfer of the credit arising therefrom to the contributed surplus account will therefore increase the distributable reserves of the Company, thereby giving the Company greater flexibility in making distributions to the Shareholders out of the contributed surplus account in the future as the Board considers appropriate. Subject to approval by the Shareholders of the Proposed Share Premium Cancellation, the amount standing to the credit of the contributed surplus account may be used to set off the accumulated losses of the Company that may arise from time to time. Details of the Proposed Share Premium Cancellation are disclosed in the announcement of the Company dated 11 May 2021.

The Proposed Share Premium Cancellation was duly passed as a special resolution by the Shareholders at the special general meeting of the Company held on 18 June 2021 and the Proposed Share Premium Cancellation took effect on 21 June 2021. As a result, the amount standing to the credit of the share premium account of approximately HK\$3,800,250,000 was transferred to the contributed surplus account, and the then accumulated contributed surplus account of approximately HK\$4,295,157,000 was set off against the accumulated losses of the Company respectively.

## **BUSINESS OUTLOOK**

The Hong Kong economy is on the path to recovery. In tandem with the improving global economic conditions and receding local epidemic, real GDP sustained notable year-on-year growth of 7.5% in the second quarter of 2021. However, the spread of more infectious COVID-19 variants in many places of the world continues to cast uncertainty over the global economic outlook, while other risk factors such as the China-US relations, geopolitical tensions and the evolving monetary policy stance of major central banks also warrant attention. In view of this, the Group will monitor and review the marco environment from time to time, and make timely adjustments to cope with the changes.

In early July, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council publicly issued the “Opinions on Strictly Cracking Down on Illegal Securities Activities in accordance with the Law”, proposing to strengthen cross-border supervision cooperation of enterprises, strengthen the supervision of Chinese concept stocks, and improve the legal extraterritorial capital market. It is generally believed that the China Securities Regulatory Commission is preparing to tighten the supervision of the overseas listing of China’s concept stocks. After the regulatory turmoil, Chinese companies will inevitably be more cautious about listing in the United States. To the contrary, the Stock Exchange, which is large in scale, has a complete market supervision system, and has a

high degree of openness, is expected to become one of the biggest beneficiaries. In order to undertake the return of concept stocks in the U.S. and China, the Stock Exchange plans to broaden the secondary listing mechanism and remove many obstacles to the return of Chinese concept stocks. It is expected that the activity of the Hong Kong IPO market is expected to increase in the second half of the year. PwC predicts 150 IPOs in 2021, including 145 on Main Board, reaching a record high with HK\$500 billion in funds raised this year. The Stock Exchange is predicted to once again secure a place in the top three global IPO markets. As the best financing platform in Asia, Hong Kong will continue leading the market and play an active and important role in establishing China's multi-level capital market.

Furthermore, China is expected to open up a southbound leg for its Bond Connect in the second half of the year. With an easier access for the mainland investors to buy and sell foreign bonds in Hong Kong, it will significantly stimulate market trading sentiment as well as present enormous opportunities for Hong Kong's financial industry.

The overall stock and investment market for second half of 2021 is looking promising. Bolstered by sufficient cash reserve, the Group will continue to source additional revenue and broaden the customer base for its margin financing business through referral of AEs and broad social network of AEs and ROs to build more in-depth and new business relationships. The Group will keep monitoring the business environment and looking for appropriate opportunities to ensure long term sustainable and steady growth.

For money lending business, while expanding the customer base and loan portfolio, the Group is also cautious about the risk management. Stringent scrutiny and credit assessment will be applied to each single loan approval. The Group will also keep on closely monitoring the repayment performance of its loan portfolio and evaluating the repayment ability of the borrowers. E Cash has subscribed the membership of TransUnion to take advantage of its risk management services, including trended credit data, debt capacity score, portfolio review, etc., to manage risk and resources effectively.

Moreover, to optimize the efficiency of money lending procedures, the Group will upgrade the loan management system for better monitoring and management of loan portfolios as well as the efficiency in loan operations. To offer better users experience and strengthen the core competences in the fintech era with digitalized smart trading services, E Cash is designing its own website and developing a mobile application for money lending platform, which hopefully will be launched in the second half of 2021.

The Group's trading segment is poised to expand the customer base and product list by negotiating with domestic and overseas suppliers for the exclusive distribution of a variety of products.

Regarding the assets investment segment, the Group endeavors to grab the rapid growth of fintech industry, apart from self-development in fintech area for money lending business, the Group has also acquired approximately 1.05% equity interests in TNG FinTech at a consideration of US\$4,200,000 on 16 July 2021. TNG FinTech and its subsidiaries is principally engaged in e-Wallet and digital banking services, development of digital remittance infrastructure and provision of digital remittance platform services in Southeast Asia and real-time gross settlement system, currency exchange and remittance network in support of digital asset technology. Meanwhile, the Group will continue to constantly monitor the business environment and market condition. In anticipation of low interest rate environment, the Group will monitor and review the investment policies and procedures and consider to make timely adjustment to the direction of bond investments rationally in response to the market changes.

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 our customer base as well as deepen 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.

Despite Hong Kong stock market has underperformed regional and global equities markets in the recent months, the market still expects sentiment to improve gradually in the second half of the year, and Hong Kong equity can stand out on Central Government's pro-growth reiteration, and likely relaxation of current travel restrictions between Mainland and Hong Kong. The Group will continue to seek potential investment and business opportunities for the further development of the existing business segments, expansion of business scope and bringing new dynamics for revenue growth.

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

The Group has maintained a sound financial position during this Period. As at 30 June 2021, the Group held bank balances and cash of approximately HK\$114,312,000 (31 December 2020: HK\$204,512,000), and had no outstanding borrowings. Net current assets amounted to approximately HK\$1,426,884,000 (31 December 2020: HK\$1,245,863,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 39.34 times (31 December 2020: 41.14 times). The gearing ratio of the Group (defined as total liabilities to total assets, expressed in a percentage figure) was approximately 2.29% (31 December 2020: 2.33%).

As the Group's bank balances and cash were mainly denominated in Hong Kong dollars and United States dollars, risk in exchange rate fluctuation would not be material.

During the Period, the Group generally financed its operations and capital expenditures with internal resources and there was no significant change in its capital structure. As at 30 June 2021, the Company had 2,783,552,734 shares in issue. Total equity attributable to owners of the Company amounted to approximately HK\$1,588,376,000 as at 30 June 2021 (31 December 2020: HK\$1,420,324,000).

## **CAPITAL COMMITMENT**

Details of capital commitments are stated in note 15 to the unaudited condensed consolidated interim financial information.

## **CONTINGENT LIABILITIES**

Details of contingent liabilities are stated in note 17 to the unaudited condensed consolidated interim financial information.

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

As at 30 June 2021, no asset of the Group was charged to any parties (31 December 2020: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2021, the Group employed 31 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**

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

## **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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the Period, 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. During the Period, Mr. Choi Chun Chung, Danny ("Mr. Choi") assumed the roles of both the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "Chief Executive Officer").

Although Mr. Choi's acting as the Chairman and the Chief Executive Officer, 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 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 Period.

## **AUDIT COMMITTEE**

The Company's audit committee (the "Audit Committee") currently comprises three independent non-executive Directors, namely Mr. Kwok Sze Kong (the chairman of the Audit Committee), Mr. Chiu Ka Wai, Ellis and Ms. Leung Mabel. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial information of the Group for the Period.

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

Hong Kong, 30 August 2021

*As at the date of this announcement, the executive Directors of the Company are Mr. Choi Chun Chung, Danny, Ms. Sin Pui Ying and Mr. Tau Sai Kit, Terry; and the independent non-executive Directors of the Company are Mr. Chiu Ka Wai, Ellis, Mr. Kwok Sze Kong and Ms. Leung Mabel.*