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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 2021**

**FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2021:

- The Group recorded revenue of approximately HK\$95.7 million (2020: HK\$101.7 million).
- Profit attributable to owners of the Company amounted to approximately HK\$153.8 million (2020: HK\$44.2 million).

As at 31 December 2021:

- The Group held financial assets at fair value through other comprehensive income of approximately HK\$15.3 million (2020: HK\$102.3 million).
- The Group held financial assets at fair value through profit or loss of approximately HK\$585.8 million (2020: HK\$294.9 million).
- The Group held bank balances and cash of approximately HK\$153.0 million (2020: HK\$204.5 million), loans and interest receivables of approximately HK\$677.0 million (2020: HK\$590.7 million) respectively.
- Current ratio (defined as total current assets divided by total current liabilities) was 31.81 times (2020: 41.14 times).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

## 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 2021, together with comparative figures for the year ended 31 December 2020, as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
<b>Revenue</b>	4	<b>95,721</b>	101,716
Direct operating costs		<u>(10,998)</u>	<u>(21,686)</u>
<b>Gross profit</b>		<b>84,723</b>	80,030
Other income, gains and losses	6	<b>128,251</b>	19,341
Administrative expenses		<b>(55,631)</b>	(51,981)
Finance costs	7	<u>(439)</u>	<u>(674)</u>
Profit before tax	8	<b>156,904</b>	46,716
Income tax expense	9	<u>(3,156)</u>	<u>(2,537)</u>
<b>Profit for the year</b>		<u><b>153,748</b></u>	<u>44,179</u>
<b>Other comprehensive income/(expense) for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value changes of debt instruments at fair value through other comprehensive income		<b>(8,164)</b>	(6,793)
Release of fair value changes of debt instruments at fair value through other comprehensive income upon disposal		<b>2,807</b>	447
Impairment loss of debt instruments at fair value through other comprehensive income for the year		<u><b>11,926</b></u>	<u>—</u>
Other comprehensive income/(expense) for the year, net of income tax		<u><b>6,569</b></u>	<u>(6,346)</u>

		<b>2021</b>	2020
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Total comprehensive income for the year</b>		<b><u>160,317</u></b>	<u>37,833</u>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		<b>153,759</b>	44,190
Non-controlling interests		<u>(11)</u>	<u>(11)</u>
		<b><u>153,748</u></b>	<u>44,179</u>
<b>Total comprehensive income/(expense) for the year attributable to:</b>			
Owners of the Company		<b>160,328</b>	37,844
Non-controlling interests		<u>(11)</u>	<u>(11)</u>
		<b><u>160,317</u></b>	<u>37,833</u>
<b>Earnings per share</b>			
– Basic ( <i>HK cents</i> )	11	<b><u>5.52</u></b>	<u>1.59</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>5,956</b>	64,787
Goodwill		<b>136</b>	136
Other intangible asset		<b>1,300</b>	1,300
Loans and interest receivables	12	<b>13,238</b>	147
Debt instruments at fair value through other comprehensive income		<b>2,257</b>	45,536
Financial assets at fair value through profit or loss		<b>130,572</b>	67,144
Other assets		<b>180</b>	180
		<b>153,639</b>	179,230
<b>CURRENT ASSETS</b>			
Inventories		–	513
Loans and interest receivables	12	<b>663,767</b>	590,570
Trade and other receivables	13	<b>114,955</b>	180,882
Income tax recoverable		–	105
Debt instruments at fair value through other comprehensive income		<b>13,068</b>	56,768
Financial assets at fair value through profit or loss		<b>455,233</b>	227,759
Bank trust account balances		<b>27,555</b>	15,795
Bank balances and cash		<b>153,035</b>	204,512
		<b>1,427,613</b>	1,276,904
Assets classified as held for sale	14	<b>47,633</b>	–
		<b>1,475,246</b>	1,276,904
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<b>31,724</b>	24,104
Income tax payable		<b>551</b>	700
Lease liabilities		<b>2,909</b>	6,237
		<b>35,184</b>	31,041
Liabilities associated with assets classified as held for sale	14	<b>11,200</b>	–
		<b>46,384</b>	31,041

	<b>2021</b>	2020
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>NET CURRENT ASSETS</b>	<b>1,428,862</b>	1,245,863
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,582,501</b>	1,425,093
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	–	2,909
<b>NET ASSETS</b>	<b>1,582,501</b>	1,422,184
<b>CAPITAL AND RESERVES</b>		
Share capital	27,836	27,836
Reserves	1,552,816	1,392,488
<b>Equity attributable to owners of the Company</b>	<b>1,580,652</b>	1,420,324
Non-controlling interests	1,849	1,860
<b>TOTAL EQUITY</b>	<b>1,582,501</b>	1,422,184

## 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 2021 for the preparation of the consolidated financial statements:

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

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 Amendment to HKFRS 16 Covid-19-Related Rent Concessions and early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021**

The Group has applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions for the first time and early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases (“HKFRS 16”) if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group’s financial positions and performance in the current and prior years as the Group opted not to apply the practical expedient, but applied the applicable requirements of HKFRS 16 to account for rent concessions provided by certain lessors.

#### **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 <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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:

	2021 HK\$’000	2020 HK\$’000
Interest income from money lending	68,080	55,342
Interest income from bond investments	4,430	15,105
Income from financial services		
– Commission income from securities brokerage	3,111	2,712
– Commission income from placing	3	208
– Corporate finance advisory services	–	840
– Interest income from clients	18,331	12,665
Trading of healthcare related products	1,766	14,844
	<u>95,721</u>	<u>101,716</u>

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

	2021 HK\$’000	2020 HK\$’000
Income from financial services		
– Commission income from securities brokerage	3,111	2,712
– Commission income from placing	3	208
– Corporate finance advisory services	–	840
Trading of healthcare related products	1,766	14,844
	<u>4,880</u>	<u>18,604</u>



## 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 2021	At point in time HK\$'000	Revenue recognised Over time HK\$'000	Total HK\$'000
Financial services segment	3,114	–	3,114
Money lending segment	–	–	–
Trading segment	1,766	–	1,766
Assets investment segment	–	–	–
	<u>4,880</u>	<u>–</u>	<u>4,880</u>
For the year ended 31 December 2020	At point in time HK\$'000	Revenue recognised Over time HK\$'000	Total HK\$'000
Financial services segment	2,920	840	3,760
Money lending segment	–	–	–
Trading segment	14,844	–	14,844
Assets investment segment	–	–	–
	<u>17,764</u>	<u>840</u>	<u>18,604</u>

## 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 2021*

	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>
<b>Revenue</b>					
Revenue from external customers	21,445	68,080	1,766	4,430	95,721
<b>Other income, gains and losses</b>					
Dividend income from listed equity securities and unlisted investment funds	–	–	–	218	218
Loss on disposal of debt instruments at fair value through other comprehensive income (“FVTOCI”)	–	–	–	(4,470)	(4,470)
Gain on fair value changes of financial assets at fair value through profit or loss (“FVTPL”)	–	–	–	172,801	172,801
Impairment loss on					
– Loans and interest receivables	–	(27,912)	–	–	(27,912)
– Debt instruments at FVTOCI	–	–	–	(12,223)	(12,223)
– Trade receivables	(3,154)	–	–	–	(3,154)
	<u>18,291</u>	<u>40,168</u>	<u>1,766</u>	<u>160,756</u>	<u>220,981</u>
<b>Results</b>					
Segment results	8,966	18,664	(812)	140,480	167,298
Unallocated corporate income					2,991
Unallocated corporate expenses					(12,946)
Finance costs					(439)
Profit before tax					<u>156,904</u>

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>
<b>Revenue</b>					
Revenue from external customers	16,425	55,342	14,844	15,105	101,716
<b>Other income, gains and losses</b>					
Dividend income from listed equity securities and unlisted investment funds	–	–	–	183	183
Loss on disposal of debt instruments at FVTOCI	–	–	–	(1,418)	(1,418)
Gain on fair value changes of financial assets at FVTPL	–	–	–	22,789	22,789
Impairment loss on					
– Loan and interest receivables	–	(2,467)	–	–	(2,467)
– Trade and other receivables	(2,919)	–	–	–	(2,919)
	<u>13,506</u>	<u>52,875</u>	<u>14,844</u>	<u>36,659</u>	<u>117,884</u>
<b>Results</b>					
Segment results	958	38,604	386	13,226	53,174
Unallocated corporate income					2,311
Unallocated corporate expenses					(8,095)
Finance costs					<u>(674)</u>
Profit before tax					<u>46,716</u>

Segment revenue represents revenue from external customers shown above. There were no inter-segment sales for the year ended 31 December 2021 (2020: 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 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Segment assets</b>		
Financial services segment	104,124	180,140
Money lending segment	685,050	592,488
Trading segment	–	862
Assets investment segment	639,637	517,281
	<hr/>	<hr/>
Total segment assets	1,428,811	1,290,771
Unallocated assets		
– Bank balances and cash	147,515	147,730
– Other unallocated assets	52,559	17,633
	<hr/>	<hr/>
Consolidated total assets	<u>1,628,885</u>	<u>1,456,134</u>
<b>Segment liabilities</b>		
Financial services segment	29,890	21,155
Money lending segment	986	717
Trading segment	38	388
Assets investment segment	619	1,528
	<hr/>	<hr/>
Total segment liabilities	31,533	23,788
Unallocated liabilities	14,851	10,162
	<hr/>	<hr/>
Consolidated total liabilities	<u>46,384</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), 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 lease liabilities and income tax payable which are not allocated to segment liabilities.

## Other segment information

### For the year ended 31 December 2021

	Financial services segment HK\$'000	Money lending segment HK\$'000	Trading segment HK\$'000	Assets investment segment HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to non-current assets	–	–	–	–	2,405	2,405
Interest income	18,331	68,080	–	4,430	2,991	93,832
Interest expenses	–	–	–	–	(439)	(439)
Depreciation of property, plant and equipment	(483)	(480)	–	–	(12,365)	(13,328)
Recovery of impairment loss on trade receivables	18	–	–	–	–	18
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### For the year ended 31 December 2020

	Financial services segment HK\$'000	Money lending segment HK\$'000	Trading segment HK\$'000	Assets investment segment HK\$'000	Unallocated HK\$'000	Total HK\$'000
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)
Reversal of impairment loss on debt instruments at fair value through other comprehensive income	–	–	–	3,743	–	3,743
Recovery of impairment loss on trade receivables	16	–	–	–	–	16
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

*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	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	95,721	98,107	7,392	66,223
United States of America	—	3,609	—	—
	<u>95,721</u>	<u>101,716</u>	<u>7,392</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 years ended 31 December 2021 and 2020.

## 6. OTHER INCOME, GAINS AND LOSSES

	2021	2020
	HK\$'000	HK\$'000
Interest income	98	1,464
Sundry income	314	1,559
Rental income	2,578	150
Dividend income from listed equity securities	218	183
Gain on fair value changes of financial assets at FVTPL	172,802	22,789
Loss on disposal of debt instruments at FVTOCI	(4,470)	(1,418)
Impairment loss on		
– Loans and interest receivables	(27,912)	(2,467)
– Debt instruments at FVTOCI	(12,223)	—
– Trade receivables	(3,154)	(2,919)
	<u>128,251</u>	<u>19,341</u>

## 7. FINANCE COSTS

	2021	2020
	HK\$'000	HK\$'000
Interest on loan notes	—	107
Interest on lease liabilities	439	567
	<u>439</u>	<u>674</u>

## 8. PROFIT/(LOSS) BEFORE TAX

	2021 HK\$'000	2020 HK\$'000
Profit/(loss) before tax has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments, excluding equity-settled share-based payments	14,198	14,531
Other staff costs ( <i>Note below</i> )	16,696	9,402
Equity-settled share-based payments (including directors' equity-settled share-based payments)	–	674
	<b>30,894</b>	<b>27,812</b>
Auditor's remuneration	998	900
Cost of inventories recognised as an expense	1,525	13,910
Depreciation of property, plant and equipment	13,328	11,312
Exchange loss, net	1,497	2,351
Loss on disposal of property, plant and equipment	275	–
Recovery of impairment loss on trade receivables	(18)	(16)

*Note:*

- (i) Included in other staff costs are contributions of retirement benefits scheme amounted to approximately HK\$273,000 (2020: HK\$220,000).
- (ii) Impairment loss on loans and interest receivables, debt instruments at FVTOCI and trade receivables has been reclassified to other income, gains and losses in current year.

## 9. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current tax:		
– Hong Kong Profits Tax	3,166	2,510
– Under-provision in respect of prior period	(10)	27
	<b>3,156</b>	<b>2,537</b>
Income tax expense	<b>3,156</b>	<b>2,537</b>

Hong Kong Profits Tax is calculated at 8.25% (2020: 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% (2020: 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% (2020: 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 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

## 11. 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:

	2021 HK\$'000	2020 HK\$'000
<i>Earnings</i>		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to owners of the Company	<u>153,759</u>	<u>44,190</u>
	2021 '000	2020 '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

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 both years ended 31 December 2021 and 2020.

Diluted earnings per share for the years ended 31 December 2021 and 2020 are not presented as there were no other potential shares in issue for both of these years.

## 12. LOANS AND INTEREST RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Loans and interest receivables thereon		
– Within one year	698,966	597,857
– In the second to fifth years	<u>13,238</u>	<u>147</u>
	712,204	598,004
Less: Impairment loss recognised	(29,296)	(7,287)
Amount written off during the year	<u>(5,903)</u>	<u>–</u>
	<u>677,005</u>	<u>590,717</u>
Analysed for reporting purpose as:		
Non-current assets	13,238	147
Current assets	<u>663,767</u>	<u>590,570</u>
	<u>677,005</u>	<u>590,717</u>



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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	7,287	4,820
Amount written off during the year	(5,903)	–
Impairment loss recognised ( <i>Note 8</i> )	<u>27,912</u>	<u>2,467</u>
At 31 December	<u><u>29,296</u></u>	<u><u>7,287</u></u>

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

**As at 31 December 2021**

Loan principals <i>HK\$'000</i>	Interest rate per annum	Maturity date	Security pledged
177,224	9%–24%	Within 1 year to 5 years	Landed properties in Hong Kong, and shares of certain listed and unlisted companies
160,739	4%–18%	Within 1 year	Guarantees provided by certain independent third parties
<u>365,321</u>	7%–36%	Within 1 year	Nil
<u><u>703,284</u></u>			

**As at 31 December 2020**

Loan principals <i>HK\$'000</i>	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
<u>107,950</u>	10%–24%	Within 1 year	Nil
<u><u>588,818</u></u>			

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

	2021 HK\$'000	2020 HK\$'000
Financial services business		
– Cash clients ( <i>Note (a)</i> )	982	1,287
– Margin clients ( <i>Note (b)</i> )	149,316	198,524
– Clearing house ( <i>Note (a)</i> )	–	1,431
Less: allowance for trade receivables	(41,372)	(38,236)
Trade receivables from:		
Trading business ( <i>Note (c)</i> )	–	346
	108,926	163,352
Other receivables ( <i>Note (d)</i> )	5,060	16,895
Prepayments	969	635
	<b>114,955</b>	<b>180,882</b>

	2021 HK\$'000	2020 HK\$'000
Analysed for reporting purpose as:		
Non-current assets	–	–
Current assets	114,955	180,882
	<b>114,955</b>	<b>180,882</b>

*Notes:*

#### (a) Cash clients and clearing house of financial services business

	2021 HK\$'000	2020 HK\$'000
Gross receivables	982	2,718
Less: Allowance for impairment	(225)	(243)
	<b>757</b>	<b>2,475</b>

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:

	2021 HK\$'000	2020 HK\$'000
At 1 January 2021	243	259
Recovery of impairment loss during the year ( <i>Note 8</i> )	(18)	(16)
At 31 December	<b>225</b>	<b>243</b>

**(b) Margin clients of financial services business**

	2021 HK\$'000	2020 HK\$'000
Gross receivables	149,316	198,524
Less: Allowance for impairment	(41,147)	(37,993)
	<u>108,169</u>	<u>160,531</u>

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 2021, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK\$898,852,000 (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 securities business.

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

	2021 HK\$'000	2020 HK\$'000
At 1 January	37,993	35,074
Impairment loss recognised ( <i>Note 8</i> )	3,154	2,919
At 31 December	<u>41,147</u>	<u>37,993</u>

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

**(c) 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 (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:

	2021	2020
Within 30 days	<u>–</u>	<u>346</u>

As at 31 December 2020, trade receivables balance amount to HK\$346,000 were 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.

**(d) Other receivables**

As at 31 December 2020, other receivables include a balance of approximately HK\$13,214,000 (2020: 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. The amount is received during the year ended 31 December 2021.

**14. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE**

	<b>2021</b> <b>HK\$'000</b>	2020 <b>HK\$'000</b>
Assets classified as held for sale		
Leasehold land and buildings	<b>47,633</b>	–
	<b>2021</b> <b>HK\$'000</b>	2020 <b>HK\$'000</b>
Liabilities associated with assets classified as held for sale		
Deposits received on disposal of leasehold land and building	<b>11,200</b>	–

On 16 December 2021, Bonus First Group Limited (the “Vendor”), a wholly owned subsidiary of the Company, entered into the sale and purchase agreement with an independent third party, Kaweta Limited (the “Purchaser”), pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the Group’s leasehold land and building for a consideration of HK\$56,000,000, deposits of which amounted to HK\$11,200,000 was received by the Group as at 31 December 2021. Accordingly, the leasehold land and building, which was previously included in property, plant and equipment, has been reclassified as assets classified as held for sale. The disposal deposits received of HK\$11,200,000 was classified as liabilities associated with assets classified as held for sale.

Completion of the disposal of the leasehold land and building took place on 10 February 2022.

## 15. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Financial services business		
– Cash Clients ( <i>Note (a)</i> )	3,494	6,412
– Margin Clients ( <i>Note (a)</i> )	14,428	10,769
– Clearing house ( <i>Note (a)</i> )	11,929	2,604
Trade payables from:		
Trading business ( <i>Note (b)</i> )	–	388
	29,851	20,173
Other payables	118	703
Accrued charges	1,755	3,228
	31,724	24,104

### Notes:

- (a) 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.

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

	2021 HK\$'000	2020 HK\$'000
Within 30 days	–	388

## 16. 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 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. Appeal hearing has taken place on 9 July 2021 but the judgement has yet to be handed down.

**(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. Appeal hearing has taken place on 9 July 2021 but the judgement has yet to be handed down.

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

**17. EVENTS AFTER THE REPORTING PERIOD**

- (a) Suspended listed securities including in financial assets as FVTPL with the fair value of approximately HK\$19,200,000 at 31 December 2021 was resumed trading at 22 March 2022;
- (b) On 16 December 2021, Bonus First Group Limited (the “Vendor”), a wholly owned subsidiary of the Company, entered into the sale and purchase agreement with an independent third party, Kaweta Limited (the “Purchaser”), pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the Group’s leasehold land and building for a consideration of HK\$56,000,000, deposits of which amounted to HK\$11,200,000 was received by the Group as at 31 December 2021. Accordingly, the leasehold land and building, which was previously included in property, plant and equipment, has been reclassified as assets classified as held for sale. The disposal deposits received of HK\$11,200,000 was classified as liabilities associated with assets classified as held for sale.

Completion of the disposal of the leasehold land and building took place on 10 February 2022.

- (c) During the period from 29 October 2021 and up to 25 March 2022, the Group has acquired an aggregate of 70,080,000 of Town Health Shares, of which 44,500,000 was acquired after the year ended 31 December 2021 through open market at an aggregate consideration of approximately HK\$30.87 million.

The aggregate shareholdings of Town Health is 750,842,000 shares held by the Group representing approximately 9.98% of the issued share capital of Town Health as at the date of this announcement.

**18. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to confirm with the current year’s presentation.

## **FINANCIAL REVIEW**

For the year ended 31 December 2021 (the “Year”), Power Financial Group Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) recorded revenues of approximately HK\$95.7 million (2020: HK\$101.7 million). The slight decline in overall revenue was principally due to (i) a drop in revenue from healthcare-related products business to approximately HK\$1.8 million for the Year (2020: HK\$14.8 million) as the management strategically downscaled the segment in view of the intense market competition during the Year; and (ii) a drop in interest income generated from as a result of a downsizing of the Group’s bond investments to approximately HK\$4.4 million for the Year (2020: HK\$15.1 million). With the management’s effort to reallocate the Group’s resources between business segments, the Group was able to achieve an overall improvement in gross profit to approximately HK\$84.7 million (2020: HK\$80.0 million) during the Year, which was driven by the growth in revenue and gross profit derived from the Group’s two major business segments, namely, money lending business and financial services business segments, respectively.

The net profit attributable to owners of the Company increased, reaching approximately HK\$153.7 million compared to a net profit of approximately HK\$44.2 million in 2020. This sharp increase was mainly resulted from the Group’s overall gross profit growth and gains on fair value changes of financial assets at fair value through profit or loss of approximately HK\$147.1 million from the Group’s investment in equity securities listed in Hong Kong.

The Group’s cash position remained strong during the Year, with bank balances and cash totaling approximately HK\$153.0 million as at 31 December 2021 (2020: HK\$204.5 million).

## **BUSINESS REVIEW**

Following a strong rebound in the first half of 2021, the global economy recently has been facing new challenges arising from the rapid spread of the Covid variants since the fourth quarter of 2021. This coupled with the lingering effects of Sino-US tensions and rising inflationary pressures, has forced the International Monetary Fund to dramatically downgrade its global growth outlook from 5.9% in 2021 to 4.4% this year.

On the domestic front, the Hang Seng Index was one of the world’s worst-performing major markets in 2021, dropping 14.1%, mainly due to the regulatory crackdown on large-cap mainland China technology stocks and real estate stocks.

Against this challenging backdrop, the Group continued to exercise financial prudence while keeping its action plans on course to deliver sustainable and profitable outcomes.



## **Financial Services**

According to Hong Kong Exchange and Clearing Limited (“HKEX”) market data statistics, the Hong Kong average daily securities turnover in 2021 was HK\$166.73 billion, an increase of 28.8% compared with HK\$129.48 billion in 2020. Despite a year-on-year decline of 36.4% in the number of new listed companies, total funds raised (including IPOs) in 2021 hit HK\$770.7 billion, an increase of 3.2% compared with HK\$746.9 billion in 2020.

The Group’s financial services business is mainly operated by Power Securities Company Limited (“Power Securities”), a wholly-owned subsidiary of the Company, which is licensed to operate 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 activities includes providing margin financing, securities brokerage services, and equity capital market (“ECM”) services such as placings. 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. Bolstered by sufficient cash reserves, the Group may seek to leverage business connections to obtain additional referrals of margin financing clients. During the Year, financial services segment generated revenue of approximately HK\$21.4 million (2020: HK\$16.4 million), recording a dramatic increase of approximately 30.6%. There was also an increase in both the number of outstanding margin loan clients as well as the amount of margin loan receivables. Interest income from clients (comprising margin clients and cash clients) amounted to approximately HK\$18.3 million in 2021 compared with approximately HK\$12.7 million in 2020.

Through the Group’s continuous effort in recruiting financial service talents to expand the client base, the Group is poised to expand in the years to come. The Group expects to revamp its ECM business in applying corporate finance analytical techniques to source and review profitable ECM deals. The Group anticipates that ECM business will become a solid source of revenue to complement other business sectors of the Group.

## **Money Lending**

The money lending operations of the Group are managed through our wholly-owned subsidiaries – E-Finance Limited (“E-Finance”), and E Cash Fintech Limited (“E-Cash”) with money lenders licenses issued under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group’s money lending business is broadly classified into four loan categories, including: (i) property mortgage loans; (ii) other secured loans; (iii) guaranteed loans; and (iv) unsecured loans. Following the integration of the E-Cash’s business, the Group recorded an increase in revenue from money lending business as a result of the growing demand for corporate and individual financing whereas E Finance continued to focus on property mortgage loans and other secured loans. The Group plans to explore further potential money lending business opportunities, including for project-based financing, subject to the prevailing market conditions and the Group’s assessment of achieving reasonable risk and returns. The Group is also keen on striking a successful balance in its business operations

and risk management by adhering to its comprehensive credit policies in order to control the quality of its loan portfolio. The management remains alert and will prudently maintain effective controls and procedures for loan approvals, credit monitoring as well as recovery and compliance matters applicable to all aspects of the money lending business.

Given today's challenging business environment for money lending operations, the Group has established strict credit policies and controls to reduce all associated credit risks. Various approval criteria are carefully considered during the credit assessment stage, including verification of identity, repayment ability, and relevant investigative results after carrying out due diligence during the application procedure. The Group's credit committee are responsible for assessing and approving loans within predetermined credit limits. They also regularly oversee the Group's credit policies and credit quality of the Group's loan portfolio. Increasing effort has also been put in the recovery procedures for loans receivables. Legal actions were taken on a case-by-case basis, having considered the normal market practice as well as the actual circumstances during the Group's credit collection processes and negotiations with relevant customers in order to minimise any possible credit losses.

The TransUnion Q4 2021 Industry Insights Report showed the continued recovery of the Hong Kong consumer credit market at the end of 2021, mirroring wider improvements in macro-economic indicators over the same period. Since the onset of the pandemic, unsecured revolving lines had experienced significantly lower levels of activity, with consumers and lenders taking a cautious approach to the category. However, from Q2 2021 onwards, this trend has reversed. Unsecured revolving line origination growth has been supported by both banks and money lenders. Unsecured personal loans recorded strong originations growth over the period, as did mortgages and loan on card. While the marketplace is increasingly competitive, there is still uncertainty ahead in the short term due to the spread of Omicron locally. Employing insight-led strategies to understand the evolving needs of customers is going to be key to business growth for banks and lenders.

During the Year, the Group's money lending segment generated revenue of approximately HK\$68.1 million, accounting for approximately 71.1% of overall revenue. Money lending business, remained as the major segment in support of the Group's comprehensive performance. Interest income from the Group's money lending business during the Year amounted to approximately HK\$68.1 million from approximately HK\$55.3 million in 2020. Operating profit from this business segment amounted to approximately HK\$18.7 million, representing a decrease of approximately 51.7% compared to that of last year.

The composition of our loan portfolio mainly includes individual and corporate customers. As at 31 December 2021, we had 69 active loan accounts, among which approximately 45.28% were individual customers and 54.72% were corporate customers. As at 31 December 2021, the percentage of the amount of loans and interest receivables from the five largest customers and the largest customer to the total loans and interest receivables are both less than 30% respectively.

In general, collaterals and/or guarantees are provided to secure a property mortgage loan, other secured loans and guaranteed loans among different loan categories. Property mortgage loans refer to first and subordinated mortgages, which are secured by landed properties in Hong Kong. The collaterals for other secured loans mainly include equity shares and/or securities of certain listed and unlisted companies. A guaranteed loan is one secured by personal and/or corporate guarantor(s). A wide range of effective interest rates were matched and charged to customers of differing risk levels, ranging from 4% to 36% per annum as at 31 December 2021 (2020: 9% per annum to 36% per annum). The major terms of loans granted include loans receivable, interest rate, maturity date and security pledged (if any).

For the year ended 31 December 2021, the Group recorded an impairment loss on loans and interest receivable of approximately HK\$27.9 million (2020: HK\$2.5 million), such increase was mainly due to the increase in amount of loan receivables and the increased uncertainty of recoverability of certain past due loans. Despite securing by collaterals or/and guarantees provided, a number of loans were regarded as impaired after consideration and assessment of the repayment ability of each customer, the respective collateral values and the status of legal proceedings. The Group was aware that the prevailing adverse financial and economic circumstances caused by the COVID-19 pandemic has had negative impact on the financial position and repayment ability of the Group's customers. According to the TransUnion Q4 2021 Industry Insights Report, over 60% of survey respondents said that their household incomes are currently or have previously decreased since the pandemic. As recently the COVID-19 and its variants have reached historical high and the social distancing measures have further been tightened, there are still many uncertainties in the short term. During the Group's loan performance review throughout the Year, the recoverability and repayment period of certain loans were likely affected. The Group continuously monitors and carries out targeted negotiations and other due processes in its loan collection process. The Group's impairment losses relate primarily to the expected credit loss ("ECL") allowance for loans and interest receivables. Generally speaking, ECL assessments are done based on the Group's historical credit loss experience adjusted for factors that are specific to particular debtors, general economic conditions and an assessment of both the current conditions as at the reporting date as well as the forecast of future conditions. The ECL on loans receivables are assessed individually for those debtors with significant balances and/or those collectively using a provision matrix with appropriate groupings. Each grouping is regularly reviewed by management to ensure that each of its constituents continues to share similar credit risk characteristics.

## **Trading**

During 2020, the Group established its trading business – Power Global Trading Company Limited, it was intended to capture the opportunities and momentum arising from the enormous demand for health care related products. However, as the general market supply of gradually picked up, the excess demand of healthcare related products during COVID-19 Pandemic was gradually normalized as existing and new suppliers building production capacity and pricing competitively. In view of the intense market competition, the management took a prudent approach to downscale its trading of healthcare related products business segment in response to the significant drop in demand and profitability. The Group's revenue from this segment amounted to approximately HK\$1.8 million (2020: HK\$14.8 million), incurring a segment loss of approximately HK\$0.8 million for the Year. The Group will continue to explore different forms of business potentials and investment opportunities in health care sector as well as taking into account of the momentum in market demand arising from the COVID-19 variants and the economy downturn globally.

## **Assets investment**

The Group's assets investment business aims at spreading investments across a variety of asset classes includes a portfolio of bonds, funds, and equity investments. During the Year, the Group strategically adjusted the portfolio size of its assets investment business segment so that it can reserve or reallocate more resources and funding to other better performing activities, including margin financing and money lending operations. For the Year, the Group achieved a turnaround from loss to profit for this segment, which was driven by the gains on changes of financial assets at fair value through profit or loss, especially arising from listed equity securities investments and stable interest income from bond investments.

For bond investments, the Group maintains a certain number of listed bonds in order to generate stable and fixed interest income. However, the management has took a recent push to downsize bond investments due to worsening market sentiment, bond price adjustments and past default occurrences of certain bonds during the Year. The fair value of the Group's bond portfolio amounted to approximately HK\$15.3 million as at 31 December 2021. During the Year, interest income from bond investments amounted to approximately HK\$4.4 million, representing a decrease of approximately 70.7% compared to that of last year.

In addition, the Group has interests in four unlisted close-ended funds, which it will continue to hold until their respective maturity dates or until the early redemption of such funds. The Group's designated investment team regularly monitors the underlying performance of the fund investments via updates from the fund administrators and discussions with fund managers or general partners of the funds.

To manage and diversify investment risks from other asset classes, the Group also maintained an investment portfolio in a certain number of Hong Kong listed equities. The Group's securities investments portfolio are closely monitored and overseen on a timely manner by the Group's designated investment team. The investment mix and investment strategies are reviewed regularly and adjusted depending on market conditions or the performance and business prospects associated with such listed companies.

Financial technology ("fintech") is used to describe new technology and innovation that seeks to improve and automate the delivery and use of financial services, as compared with traditional financial methods. The management is aware of the trend that fintech has become a major disruptor within the financial industry. Apart from the effort to explore and adopt fintech features in the Group's money lending business, the Group has also taken the opportunity to strengthen its foothold in today's fintech era by acquiring TNG FinTech Group Inc. ("TNG FinTech") in July 2021.

TNG FinTech primarily engages in e-wallet and digital banking services, the development of digital remittance infrastructure, and provision of digital remittance platform services in Southeast Asia. Moreover, TNG FinTech manages a real-time gross settlement system, as well as a currency exchange and remittance network to support blockchain and digital asset technology.

On 16 July 2021, Moonscope Limited (the "Purchaser"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Sale and Purchase Agreement") with Kong King Ong Alexander (the "Vendor"), pursuant to which (i) the Purchaser agreed to buy and the Vendor agreed to sell an aggregate of 609,000 shares in approximately 1.05% of the issued share capital of TNG FinTech at the consideration of USD4,200,000 (equivalent to approximately HK\$32,760,000) (the "Acquisition"). Moreover, the Vendor granted a call option to the Purchaser which it may exercise at any time within nine months from 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 USD1,793,103 (equivalent to approximately HK\$13,986,203)) (the "Call Option"). The Purchaser was granted a put option (the "Put Option") that, in the event that the disposal of 40% equity investment in a subsidiary of TNG FinTech by the minority shareholders of that subsidiary ("Ripple Acquisition") is not materialised, the Purchaser is entitled to require the Vendor to purchase back the sale shares at the put option price. The completion of the Acquisition took place on 16 July 2021. Further details of the Acquisition are disclosed in the announcement of the Company dated 16 July 2021 and supplemental announcement of the Company dated 9 March 2022. On 21 December 2021, the Purchaser was informed that the Ripple Acquisition was completed on 6 December 2021. Accordingly, the right to exercise the Put Option did not materialise and the Put Option has lapsed accordingly. The details of the lapse of put option was disclosed in the announcement of the Company dated 22 December 2021.

As at 31 December 2021, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$585.8 million (2020: HK\$249.9 million), including (a) equity securities totalling approximately HK\$455.2 million (2020: HK\$227.8 million); (b) unlisted investment funds of approximately HK\$98.4 million (2020: HK\$67.1 million); and (c) unlisted equity investment of approximately HK\$32.2 million (2020: HK\$ Nil).

As at 31 December 2021, the Group's portfolio of financial assets at fair value through profit or loss comprised (a) 25 equity securities listed in Hong Kong; and (b) 4 unlisted investment funds. 24 listed equity securities, accounted for approximately 8.87% of the Group's audited consolidated total assets as at 31 December 2021, while the remaining 1 accounted for approximately 19.08% of the Group's audited consolidated total assets as at 31 December 2021. Each of the 4 unlisted investment funds accounted for approximately 0.23% to 3.38% of the Group's audited consolidated total assets as at 31 December 2021.

As at 31 December 2021, as a result of aforementioned downsizing, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK\$15.3 million (2020: HK\$102.3 million), all of which comprised listed bond investments.

As at 31 December 2021, the Group's portfolio of financial assets at fair value through other comprehensive income comprised 2 bond investments listed in Hong Kong, each of which accounted for approximately 0.21% to 0.73% of the Group's audited consolidated total assets as at 31 December 2021.

### *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)	Realised gain during the Year (HK\$'000)	Unrealised gain/(loss) during the Year (HK\$'000)
		31 December 2021 (HK\$'000)	31 December 2020 (HK\$'000)	31 December 2021 ( '000)	31 December 2020 ( '000)	31 December 2021	31 December 2020	31 December 2021	31 December 2020			
<i>Significant investments</i>												
<i>Listed securities investments in Hong Kong</i>												
Town Health International Medical Group Limited (stock code: 3886)	Provision of medical and dental services in Hong Kong; managing healthcare networks and provision of third party medical network administrator services in Hong Kong; provision of medical and dental services 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	310,790	174,089	706,742	674,762	9.39%	8.97%	19.60%	12.24%	–	–	121,746
<i>Other investments</i>												
Other listed securities investments*		144,443	53,670							218	5,184	20,167
Unlisted investment funds†		98,405	67,144							–	–	26,297
Unlisted equity investment‡		32,167	–							–	–	(593)
<b>Grand total for the financial assets at fair value through profit or loss</b>		<b>585,805</b>	<b>294,903</b>							<b>218</b>	<b>5,184</b>	<b>167,617</b>



- \* Other listed securities investments mainly comprise the Group's investments in 24 companies whose shares are listed on the Main Board of the Stock Exchange and GEM. 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 2021.
- # 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.
- ^ The unlisted equity investment represents the investment in TNG.

### ***Financial assets at fair value through other comprehensive income***

Description of investments	Fair value of investments as at		Interest income during the Year	Dividends received during the Year	Loss on disposal during the Year	Fair value changes recognised through other comprehensive income	Impairment loss recognised during the Year
	31 December 2021	31 December 2020				during the Year	
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Listed bond investments*	15,325	102,304	4,430	-	(4,470)	6,569	(12,223)
Grand total for the financial assets at fair value through other comprehensive income	15,325	102,304	4,430	-	(4,470)	6,569	(12,223)

- \* The bond investments comprise 2 different bonds listed in Hong Kong. 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.

### ***Significant Investment***

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

The Group held a significant investment with a carrying amount accounting for 5% or more of the Group's audited consolidated total assets as at 31 December 2021 as follows:

As at 31 December 2021, the Group held 706,342,000 shares of Town Health, with investment cost of HK\$866.8 million, which represented approximately 9.39% of the issued shares of Town Health as at 31 December 2021. The fair value of such investment was approximately HK\$310.8 million, representing approximately 19.08% of the Group's audited consolidated total assets as at 31 December 2021 and approximately 19.64% of the Group's audited consolidated net assets as at 31 December 2021.

Along with the successfully resumption of trading of its shares on the Hong Kong Stock Exchange starting March 2021 since its suspension in 2017, the Group recorded a fair value gain of approximately HK\$121.7 million for its investment in Town Health during the Year. No dividend was received by the Group from Town Health during the Year.

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 final result announcement for the year ended 31 December 2021 published on 22 March 2022.

As disclosed in the final result announcement of Town Health as published in the website of the Stock Exchange, according to the Town Health Annual Results Announcement, Town Health Group also recorded turnaround from loss for the year of approximately HK\$258.5 million for the year ended 31 December 2020 to profit for the year of approximately H\$75.1 million for year ended 31 December 2021. Such turnaround was mainly attributable, among others, the increase of revenue from approximately HK\$1,069.0 million in 2020 to approximately HK\$1,483.9 million in 2021 which was mainly contributed by the increase in demand for (a) medical services; (b) hospital management and related services in the PRC; and (c) COVID-19 testing services in 2021. According to the inside information announcement of Town Health dated 23 December 2021 regarding the adoption of revised dividend policy, in normal circumstances, the annual dividend to be distributed by Town Health to the shareholders of Town Health shall not be less than 30% of the Town Health Group's consolidated net profit attributable to shareholders of Town Health in any particular year. According to the Town Health Annual Results Announcement, the board of directors of Town Health recommended the payment of a final dividend of Hong Kong 0.15 cent per Town Health Share for FY2021.

The Directors holds positive views towards the future prospect of the principal businesses of Town Health and expects its significant investment in Town Health will continue to enhance investment return for the Group.

## **CAPITAL REORGANISATION**

On 11 May 2021, the Board put forward for approval by the shareholders of the Company (the "Shareholders") a proposal for capital reorganisation 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 all relevant bylaws. The Proposed Share Premium Cancellation and subsequent transfer of the credit arising therefrom to the contributed surplus account will increase the distributable reserves of the Company. This will, in turn, provide greater flexibility when making distributions to Shareholders out of the contributed surplus account in the future as the Board deems appropriate. Subject to approval by Shareholders concerning the Proposed Share Premium Cancellation, the amount standing to the credit of the contributed surplus account may be used to offset 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 and the circular of the Company dated 21 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 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 subsequent accumulated contributed surplus account of approximately HK\$4,295,157,000 was offset against the accumulated losses of the Company.

## **IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL YEAR**

Save as disclosed in note 17. Events after reporting period, no important events affecting the Company occurred since December 31, 2021 and up to the date of this announcement.

## **BUSINESS OUTLOOK**

Now over two years into the pandemic, the general business environment remains highly uncertain and the progress of economic recovery is closely tied to the effectiveness of the pandemic's control. The recent surge in Omicron infections coupled with the further tightening of social measures has added downward pressure on Hong Kong's economic growth in 2022.

In addition, financial tensions between China and the US continue to deepen as both countries close their doors to Chinese firms' US listings. This ultimately may be good news from a local perspective as more mainland companies consider switching their listings to Hong Kong, bringing more capital into the city. However, it is expected that market volatility will continue to persist amid the recent Ukraine-Russia crisis.

In response to a potential overflow of listings at the beginning of 2022, the Stock Exchange of Hong Kong Limited launched revised listing rules for overseas companies that wish to undertake dual-primary or secondary listings in Hong Kong. In addition, the bourse introduced a special purpose acquisition company ("SPAC") listing regime. This type of enhanced listing regime aims to ensure the city's competitiveness by providing greater flexibility to facilitate more listings by mainland and Southeast Asian companies. PwC expects Hong Kong to welcome 120 IPOs in 2022 while raising about HK\$350 to 400 billion. This will enable Hong Kong to regain its position among the world's top 3 IPO markets.

In an effort to optimise this market momentum, the Group will continue to source additional revenues and broaden the customer base for its margin financing business through referrals of AEs and broad social networks of AEs/ROs in order to build more in-depth as well as new business relationships, which will bring sustainable and steady growth to the segment.

As for its money lending business, the Group will continue to expand into corporate and individual loans through E Cash and allow E Finance to focus on property mortgage loans and other secured loans. Under today's challenging and unpredictable economic environment, the Group expects to face lending risks which may affect loan demands from borrowers. The Group will continue to carefully evaluate its risk management strategies and ensure a proper balance between returns and risks over the long run. To help ensure a sound loan portfolio, the Group will continue to adopt prudent and cautious approaches throughout the credit assessment and approval processes. The Group will also keep a close eye on the repayment performance of its loan portfolio while evaluating the affordability of borrowers. The Group will continue to cautiously monitor the general business environment and market conditions while also seeking potential investment and business opportunities for further development of its various business segments, expanding the business scope and creating a new dynamic for revenue growth.

While the impact of COVID-19 and its variants still lingers worldwide, the Group will continue to fulfill its financial intermediary role and respond to client needs for funding support while proactively adjusting financial management strategies toward a forward-looking perspective in order to maximise value for its shareholders.

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

As at 31 December 2021, the Group held bank balances and cash of approximately HK\$153.0 million (2020: HK\$204.5 million). Net current assets amounted to approximately HK\$1,428.9 million (2020: HK\$1,245.9 million). Current ratio (defined as total current assets divided by total current liabilities) was approximately 31.81 times (2020: 41.14 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 2.85% (2020: 2.33%).

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

## CAPITAL COMMITMENT

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

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
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><b>3,711</b></u>	<u>4,211</u>

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed 27 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 new Corporate Governance Code (the "New CG Code") as set out in existing Appendix 14 to the Listing Rules has come into effect on 1 January 2022, their requirements are applicable to the financial year commencing on 1 January 2022. Currently, the Company has adopted the code provisions on Corporate Governance Code and Corporate Governance Report (the "Previous CG Code") as set out in the previous Appendix 14 to the Listing Rules before the New CG Code came into effect. Throughout the Year, in the opinion of the Directors, the Company has complied with all the applicable code provisions set out in Previous CG Code (the requirements under which are applicable to the year ended 31 December 2021), except the code provision A.2.1 of the Previous CG Code 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

As as the date of this announcement, the audit committee of the Board (“Audit Committee”) comprises three independent non-executive Directors, namely Ms. Chan Lai Ping (the chairperson of the Audit Committee), Ms. Tam Mei Chu and Mr. Ho Yuen Tung. During the Year, the Audit Committee reviewed the Group’s audited consolidated financial statements for the year ended 31 December 2020 and the unaudited consolidated financial information for the six months ended 30 June 2021 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 2022, 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, 25 March 2022

*As at the date of this announcement, the executive Directors are Mr. Choi Chun Chung, Danny, Mr. Tau Sai Kit, Terry and Mr. Li Wing Cheong; and the independent non-executive Directors are Ms. Chan Lai Ping, Ms. Tam Mei Chu and Mr. Ho Yuen Tung.*