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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)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Reference is made to the annual report of Power Financial Group Limited (“**Company**” and together with its subsidiaries, “**Group**”) for the year ended 31 December 2021 (“**2021 Annual Report**”). Unless otherwise defined herein, capitalised terms herein shall have the same meanings as those defined in the 2021 Annual Report.

MONEY LENDING BUSINESS

In addition to the information disclosed in the section headed “MANAGEMENT DISCUSSION AND ANALYSIS” in the 2021 Annual Report, the Company would like to add additional information under sub-heading “Money Lending”.

The Group’s money lending business was conducted through its wholly-owned subsidiaries, E Cash Fintech Limited and E Finance Limited, to grant loans including secured and unsecured loans to individuals and corporates. There is no specific target customer group. The source of customers of the Group during the year were mainly via the social network and referrals of past and existing customers of the Group, third party agents, staff and management of the Group. The source of funds for the money lending business is generally funded by the internal resources of the Group. The Group strived to adhere to a set of comprehensive policies and operation manuals in respect of loan approval, loan renewal, loan recovery, loan compliance, loan monitoring and anti-money laundering.

Internal Controls

With regards to the Group's internal controls for money lending business, there are the following monitoring mechanisms and measures adopted by the Group:

Loan Approval

Before any loan applications were granted, internal credit assessments would be performed to decide the proposed loan size and interest rate charged. The internal credit assessment included but not limited to (i) verification and background checking, such as the identity documents and statutory records (i.e. identity card, address proof, business registration certificate, latest annual return, etc.); (ii) income or asset proof of the borrower and guarantor, such as share certificates, bank statements and security statements, etc.; (iii) the evaluation of the value of collateral; and (iv) the verification of the authenticity of the information provided. Furthermore, the Group would perform public search towards the borrower and guarantor to ensure compliance with the relevant requirements and regulations of anti-money laundering and counter-terrorist financing (“**AML & CTF**”). There are no specific requirements on their income and/or asset threshold set by the Group. Normally, the management would determine and approve the loan amount and interest rates based on the relevant financial strength, repayment ability as well as the overall quality of borrowers/ guarantors and the respective collaterals, subject to business negotiations and market conditions.

Loan Renewal

For loan renewal, the Group would carry out an updated assessment similar to loan approval stage. In addition, the Group would assess the borrower's past repayment record and changes in market circumstance before making a decision on loan renewal and the relevant interest rate charged.

Recovery and Compliance Matters

After the loan is granted, the Group would conduct review on the repayment records and loan portfolio on a weekly basis, and in particular, any past due loan accounts. When considered appropriate, the Group would further (i) obtain the relevant updated information and documents from the borrower; and (ii) perform public search towards the borrower to assess the recoverability of loan. Putting every possible effort to the loan recovery, appropriate course of actions, such as sending legal demand letter, legal proceedings arrangement, etc., would be considered by the Group, subject to the recovery situation of the loans and negotiation with customers.

As a licenced money lender in Hong Kong, the Group shall ensure compliance with the applicable laws, regulations and codes of all the relevant regulatory authorities, in particular, the Money Lenders Ordinance and the relevant requirements and regulations of AML & CTF.

In order to ensure the compliance with the abovementioned requirements throughout the course of conducting the money lending business, loan transaction review would be conducted upon the grant of the loan as an on-going monitoring purpose. The overall internal control system, which includes the implementation of the Group's credit policy, operation manual and other related internal control measures would be reviewed by the management on a regular basis and the policies would be devised and revised from time to time when considered necessary.

Interest Rates

In addition to the aforementioned factors included in the Group's credit approval policy, when deciding the interest rate for loans, the Group would also take a holistic view in the assessments of setting loan terms based on the general market environment at the time, interest rate of competitors at the time, amount of Group's funds available and also the overall quality of the borrower.

The Group has pre-set ranges of interest rates depending on (i) the type of loan product (i.e. secured and unsecured loans); and (ii) the tier of approval from the Credit Committee and other person and/or entity as designated and authorised from time to time. While, in practice, preferable interest rates would be considered for longer tenure.

For the Group's existing loan portfolio as at 31 December 2021, the interest rates charged to borrowers for unsecured loans ranged from 7% to 36% p.a. whilst interest rates charged to borrowers for secured loans ranged from 9% to 24% p.a. Generally, the Group would determine the interest rates for loans on a case-by-case basis considering the loan-to-value ratio, repayment record and ability, quality and business relationship with the individual borrower and/or the guarantor (if provided). Generally, unsecured loan is subject to higher interest rates given that the appearance of lack of collaterals; however, the actual interest rate charged might vary subject to the terms of maturity, loan size, financial strength of borrower/ guarantor as well as business relationship with the Group. For instance, there were unsecured loans to a corporate borrower charged an interest rate of 7% p.a. during the year which were lower than the interest rates charged for secured loans during the year. In the approval procedure of such loans, the Group took particular considerations of, among other factors, (i) the borrower is an existing customer; (ii) the listing status of the corporate borrower and the public record of its financial strength; (iii) the amount of previous loans granted to the borrower and its repayment records; and (iv) the Group's intention to establish a long-term business relationship with such high quality borrower.

Financial Information

The following table shows the maturity and/or past due status of the Group's loan balance as at 31 December 2021 by different nature of loans.

Nature of loan	Loan principal as at 31 December 2021 <i>(HK\$'000)</i>	Interest rate per annum	% of total loan principal as at 31 December 2021	Loan matured but not settled; or Loan not matured but with interest overdue <i>(HK\$'000)</i>	% of past due loans to relevant principal
Loans with security pledged	177,224	9%-24%	25	64,500	36
Loans with guarantee	160,739	4%-18%	23	36,739	23
Unsecured loans	365,321	7%-36%	52	30,250	8
Total	703,284		100	131,489	19

The Group has complied with requirements set out in Chapter 14 and/or 14A of the Listing Rules when it granted the loans to each of the borrowers whose loans were still outstanding as at 31 December 2021.

To the best of the Directors' knowledge, information and belief based on internal records, the Group does not have any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with a connected person with respect to the grant of loans to the borrowers whose loans were still outstanding as at 31 December 2021.

The above information does not affect the information disclosed in the 2021 Annual Report and save as disclosed in this announcement, all other information in the 2021 Annual Report remains unchanged.

On behalf of the Board
Power Financial Group Limited
Mr. Li Wing Cheong
Chairman

Hong Kong, 3 November 2022

As at the date of this announcement, the executive Director is Mr. Li Wing Cheong, and the independent non-executive Directors are Ms. Chan Lai Ping, Ms. Tam Mei Chu and Mr. Ho Yuen Tung.