

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2022:

- The Group recorded revenue of approximately HK\$73.0 million (2021: HK\$95.7 million).
- Loss attributable to owners of the Company amounted to approximately HK\$171.3 million (2021: profit of HK\$153.8 million).

As at 31 December 2022:

- The Group held financial assets at fair value through profit or loss of approximately HK\$481.9 million (2021: HK\$585.8 million).
- The Group held bank balances and cash of approximately HK\$220.1 million (2021: HK\$153.0 million), loans and interest receivables of approximately HK\$528.7 million (2021: HK\$677.0 million) respectively.
- Current ratio (defined as total current assets divided by total current liabilities) was 24.82 times (2021: 31.81 times).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

## RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Power Financial Group Limited (the “**Company**”) announces the audited consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022, together with comparative figures for the year ended 31 December 2021, as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	4	<b>72,978</b>	95,721
Direct operating costs		<u>(5,032)</u>	<u>(10,998)</u>
<b>Gross profit</b>		<b>67,946</b>	84,723
Other income, gains and losses	6	(181,972)	128,251
Administrative expenses		(56,680)	(55,631)
Finance costs	7	<u>(577)</u>	<u>(439)</u>
(Loss)/profit before tax	8	(171,283)	156,904
Income tax expense	9	<u>–</u>	<u>(3,156)</u>
<b>(Loss)/profit for the year</b>		<b><u>(171,283)</u></b>	<b><u>153,748</u></b>
<b>Other comprehensive income/(expense)</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		(488)	(8,164)
Release of fair value changes of debt instruments at fair value through other comprehensive income upon disposal		1,748	2,807
Impairment loss of debt instruments at fair value through other comprehensive income for the year		<u>–</u>	<u>11,926</u>

	<b>2022</b>	2021
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Other comprehensive income for the year, net of income tax	<u>1,260</u>	<u>6,569</u>
<b>Total comprehensive (expense)/income for the year</b>	<b><u>(170,023)</u></b>	<b><u>160,317</u></b>
<b>(Loss)/profit for the year attributable to:</b>		
Owners of the Company	(171,280)	153,759
Non-controlling interests	<u>(3)</u>	<u>(11)</u>
	<b><u>(171,283)</u></b>	<b><u>153,748</u></b>
<b>Total comprehensive (expense)/income for the year attributable to:</b>		
Owners of the Company	(170,020)	160,328
Non-controlling interests	<u>(3)</u>	<u>(11)</u>
	<b><u>(170,023)</u></b>	<b><u>160,317</u></b>
	<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
<b>(Loss)/earnings per share</b>	<i>11</i>	
– Basic and diluted	<b><u>(6.15)</u></b>	<b><u>5.52</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,269</b>	5,956
Goodwill		<b>136</b>	136
Investment property		<b>40,900</b>	–
Other intangible asset		<b>1,300</b>	1,300
Loans and interest receivables	<i>12</i>	–	13,238
Debt instruments at fair value through other comprehensive income		–	2,257
Financial assets at fair value through profit or loss		<b>99,272</b>	130,572
Other assets		<b>412</b>	180
		<u><b>145,289</b></u>	<u>153,639</u>
<b>CURRENT ASSETS</b>			
Loans and interest receivables	<i>12</i>	<b>528,700</b>	663,767
Trade and other receivables, deposits and prepayments	<i>13</i>	<b>179,259</b>	114,955
Debt instruments at fair value through other comprehensive income		–	13,068
Financial assets at fair value through profit or loss		<b>382,661</b>	455,233
Bank trust account balances		<b>16,940</b>	27,555
Bank balances and cash		<b>220,068</b>	153,035
		<u><b>1,327,628</b></u>	<u>1,427,613</u>
Assets classified as held for sale		–	47,633
		<u><b>1,327,628</b></u>	<u>1,475,246</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>14</i>	<b>27,363</b>	31,724
Income tax payable		<b>551</b>	551
Bank borrowings		<b>23,570</b>	–
Lease liabilities		<b>2,015</b>	2,909
		<u><b>53,499</b></u>	<u>35,184</u>
Liabilities associated with assets classified as held for sale		–	11,200
		<u><b>53,499</b></u>	<u>46,384</u>

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NET CURRENT ASSETS</b>		<u>1,274,129</u>	<u>1,428,862</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,419,418</u>	<u>1,582,501</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<u>350</u>	<u>–</u>
		<u>350</u>	<u>–</u>
<b>NET ASSETS</b>		<u><u>1,419,068</u></u>	<u><u>1,582,501</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital		27,836	27,836
Reserves		<u>1,389,386</u>	<u>1,552,816</u>
<b>Equity attributable to owners of the Company</b>		<u>1,417,222</u>	1,580,652
Non-controlling interests		<u>1,846</u>	<u>1,849</u>
<b>TOTAL EQUITY</b>		<u><u>1,419,068</u></u>	<u><u>1,582,501</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was 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 Unit 1804A, 18/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.

The Company acts as an investment holding company and the principal activities of its principal subsidiaries are 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 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has 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.

## **New and amendments to 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 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</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>

<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 a date to be determined.

The directors of the Company anticipate that the application of these new and amendments to HKFRSs, which are not yet effective, 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 on the Stock Exchange (“**Listing Rules**”) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income from money lending	57,164	68,080
Interest income from bond investments	696	4,430
Income from financial services		
– Commission income from securities brokerage	1,153	3,111
– Commission income from placing	1,446	3
– Interest income from clients	12,132	18,331
Rental income	387	–
Trading of healthcare related products	–	1,766
	<u>72,978</u>	<u>95,721</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Income from financial services		
– Commission income from securities brokerage	1,153	3,111
– Commission income from placing	1,446	3
Trading of healthcare related products	–	1,766
	<u>2,599</u>	<u>4,880</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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Analysed by timing of recognition:</b>		
Revenue recognised at point in time	<u>2,599</u>	<u>4,880</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.

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, investments in properties and other assets earning rental income and gains, 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 2022*

	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>Segment revenue</b>					
Segment revenue from external customers	14,731	57,164	–	1,083	72,978
<b>Other income, gains and losses</b>					
Dividend income from listed equity securities	–	–	–	1,300	1,300
Loss on disposal of debt instruments at fair value through other comprehensive income (“FVTOCI”)	–	–	–	(39)	(39)
Loss on fair value changes of financial assets at fair value through profit or loss (“FVTPL”)	–	–	–	(153,532)	(153,532)
Loss on fair value changes of investment property	–	–	–	(6,900)	(6,900)
Impairment loss on:					
– Loans and interest receivables	–	(28,255)	–	–	(28,255)
– Debt instruments at FVTOCI	–	–	–	(3,753)	(3,753)
Impairment loss on trade receivables reversed	18	–	–	–	18
	<u>14,749</u>	<u>28,909</u>	<u>–</u>	<u>(161,841)</u>	<u>(118,183)</u>
<b>Results</b>					
Segment profit/(loss)	6,656	1,570	(8)	(181,175)	(172,957)
Unallocated corporate income					9,210
Unallocated corporate expenses					(7,299)
Finance costs					(237)
Loss before tax					<u>(171,283)</u>

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>Segment revenue</b>					
Segment 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 FVTOCI	–	–	–	(4,470)	(4,470)
Gain on fair value changes of financial assets at FVTPL	–	–	–	172,802	172,802
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>160,757</u>	<u>220,982</u>
<b>Results</b>					
Segment profit/(loss)	8,966	18,664	(812)	140,480	167,298
Unallocated corporate income					2,991
Unallocated corporate expenses					(12,946)
Finance costs					<u>(439)</u>
Profit before tax					<u>156,904</u>

Segment revenue represents revenue from external customers shown above. There were no inter-segment sales for the year ended 31 December 2022 (2021: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represent the profit/loss from each segment without allocation of certain directors' emoluments, certain other income, gains and losses, 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 segments:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Segment assets</b>		
Financial services segment	129,690	104,124
Money lending segment	543,421	685,050
Assets investment segment	<u>561,351</u>	<u>639,637</u>
Total segment assets	1,234,462	1,428,811
Unallocated assets		
– Bank balances and cash	205,062	147,515
– Other unallocated assets	<u>33,393</u>	<u>52,559</u>
Consolidated total assets	<u>1,472,917</u>	<u>1,628,885</u>
<b>Segment liabilities</b>		
Financial services segment	17,718	29,890
Money lending segment	8,941	986
Trading segment	–	38
Assets investment segment	<u>24,677</u>	<u>619</u>
Total segment liabilities	51,336	31,533
Unallocated liabilities	<u>2,513</u>	<u>14,851</u>
Consolidated total liabilities	<u>53,849</u>	<u>46,384</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) and bank balances and cash which are not allocated to segment assets; and
- all liabilities are allocated to operating segments other than certain payables, lease liabilities and income tax payable which are not allocated to segment liabilities.

## Other segment information

### For the year ended 31 December 2022

	Financial services segment <i>HK\$'000</i>	Money lending segment <i>HK\$'000</i>	Trading segment <i>HK\$'000</i>	Assets investment segment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	-	-	-	48,404	3,590	51,994
Interest income	12,132	57,164	-	696	5	69,997
Interest expenses	-	-	-	(340)	(237)	(577)
Depreciation of property, plant and equipment	(211)	(369)	-	-	(5,931)	(6,511)
Impairment loss on trade receivables reversed	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>

### 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>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)
Impairment loss on trade receivables reversed	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</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 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 non-current assets are located in Hong Kong. The Group operates in Hong Kong and its revenue is derived from its operation in Hong Kong.

## Information about major customers

There was no customer contributing over 10% of the total revenue of the Group for the years ended 31 December 2022 and 2021.

## 6. OTHER INCOME, GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income	5	98
Sundry income	699	296
Rental income	470	2,578
Dividend income from listed equity securities	1,300	218
(Loss)/gain on fair value changes of financial assets at FVTPL	(153,532)	172,802
Loss on disposal of debt instruments at FVTOCI	(39)	(4,470)
Loss on fair value changes of investment property	(6,900)	–
Loss on disposal of property, plant and equipment	(370)	–
Gain on disposal of assets classified as held for sale	8,367	–
Gain on disposal of subsidiaries	18	–
Impairment loss on:		
– Loans and interest receivables ( <i>Note 12</i> )	(28,255)	(27,912)
– Debt instruments at FVTOCI	(3,753)	(12,223)
– Trade receivables ( <i>Note 13(b)</i> )	–	(3,154)
Impairment loss on trade receivables reversed	18	18
	<u>(181,972)</u>	<u>128,251</u>

**7. FINANCE COSTS**

	<b>2022</b>	2021
	<b>HK\$'000</b>	<i>HK\$'000</i>
Interest on bank borrowings	<b>340</b>	–
Interest on lease liabilities	<b>237</b>	439
	<u><b>577</b></u>	<u>439</u>

**8. (LOSS)/PROFIT BEFORE TAX**

	<b>2022</b>	2021
	<b>HK\$'000</b>	<i>HK\$'000</i>
(Loss)/profit before tax has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments, excluding equity-settled share-based payments	<b>10,830</b>	14,198
Other staff costs ( <i>Note below</i> )	<b>12,805</b>	16,696
Equity-settled share-based payments (including directors' equity-settled share-based payments)	<b>6,590</b>	–
	<u><b>30,225</b></u>	<u>30,894</u>
Auditor's remuneration	<b>956</b>	998
Cost of inventories recognised as an expense	–	1,525
Depreciation of property, plant and equipment (including right-of-use assets)	<b>6,511</b>	13,328
Exchanges losses, net	<b>243</b>	1,497
	<u><b>243</b></u>	<u>1,497</u>

*Note:* Included in other staff costs are contributions of retirement benefits scheme amounted to approximately HK\$277,000 (2021: HK\$273,000).

## 9. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits Tax	–	3,166
– Over-provision in respect of prior period	–	(10)
	<u>–</u>	<u>(10)</u>
Income tax expense	<u>–</u>	<u>3,156</u>

Hong Kong Profits Tax is calculated at 8.25% (2021: 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% (2021: 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 continue to be taxed at 16.5% (2021: 16.5%).

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

No provision for Hong Kong Profits Tax has been made during the year ended 31 December 2022 as the Group did not generate any assessable profit in Hong Kong for the year.

## 10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).



## 11. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>(Loss)/earnings</i>		
(Loss)/earnings for the purpose of basic (loss)/earnings per share		
(Loss)/profit for the year attributable to owners of the Company	<u>(171,280)</u>	<u>153,759</u>
	2022 <i>'000</i>	2021 <i>'000</i>
<i>Number of shares</i>		
Number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>2,783,553</u>	<u>2,783,553</u>

### Diluted (loss)/earnings per share

The computation of diluted loss per share attributable to owners of the Company was the same as basic loss per share as the impact of the exercise of share options was anti-dilutive for the year ended 31 December 2022.

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 year ended 31 December 2021.

Diluted (loss)/earnings per share for the years ended 31 December 2022 and 2021 are not presented as there were no other potential shares in issue for both of these years.

## 12. LOANS AND INTEREST RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loans and interest receivables thereon		
– Within one year	586,251	693,063
– In the second to fifth years	<u>–</u>	<u>13,238</u>
	586,251	706,301
Less: Allowance for impairment	<u>(57,551)</u>	<u>(29,296)</u>
	<u><b>528,700</b></u>	<u><b>677,005</b></u>
Analysed for reporting purpose as:		
Non-current assets	–	13,238
Current assets	<u>528,700</u>	<u>663,767</u>
	<u><b>528,700</b></u>	<u><b>677,005</b></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	29,296	7,287
Impairment loss recognised ( <i>Note 6</i> )	28,255	27,912
Amount written off during the year	<u>–</u>	<u>(5,903)</u>
At 31 December	<u><b>57,551</b></u>	<u><b>29,296</b></u>

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

**As at 31 December 2022**

<b>Loan principals <i>HK\$'000</i></b>	<b>Interest rate per annum</b>	<b>Maturity date</b>	<b>Security pledged</b>
<b>133,432</b>	9%–24%	Within 1 year	Landed properties in Hong Kong, and shares of certain listed and unlisted companies
<b>205,560</b>	10%–24%	Within 1 year	Guarantees provided by certain independent third parties
<b><u>239,055</u></b>	10%–36%	Within 1 year	Nil
<b><u><u>578,047</u></u></b>			

**As at 31 December 2021**

<b>Loan principals <i>HK\$'000</i></b>	<b>Interest rate per annum</b>	<b>Maturity date</b>	<b>Security pledged</b>
177,224	9%–24%	Within 1 year to 2 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
<b><u>365,321</u></b>	7%–36%	Within 1 year	Nil
<b><u><u>703,284</u></u></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.

### 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from:		
Financial services business		
– Cash clients and clearing house ( <i>Note (a)</i> )	81	757
– Margin clients ( <i>Note (b)</i> )	<u>143,991</u>	<u>108,169</u>
	144,072	108,926
Other receivables	9,551	242
Deposits paid	25,010	4,818
Prepayments	<u>626</u>	<u>969</u>
Total	<u><u>179,259</u></u>	<u><u>114,955</u></u>

*Notes:*

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gross receivables	288	982
Less: Allowance for impairment	<u>(207)</u>	<u>(225)</u>
	<u><u>81</u></u>	<u><u>757</u></u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	225	243
Recovery of impairment loss during the year ( <i>Note 6</i> )	<u>(18)</u>	<u>(18)</u>
At 31 December	<u><u>207</u></u>	<u><u>225</u></u>

(b) Margin clients of financial services business

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Gross receivables	<b>143,991</b>	149,316
Less: Allowance for impairment	<u>–</u>	<u>(41,147)</u>
	<b><u>143,991</u></b>	<b><u>108,169</u></b>

Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading and bear interests at commercial rates. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. The margin ratio is reviewed and determined periodically. As at 31 December 2022, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK\$646,311,000 (2021: HK\$898,852,000).

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

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

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
At 1 January	<b>41,147</b>	37,993
Impairment loss recognised ( <i>Note 6</i> )	–	3,154
Amount written-off during the year	<u>(41,147)</u>	<u>–</u>
At 31 December	<b><u>–</u></b>	<b><u>41,147</u></b>

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

#### 14. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables from:		
Financial services business ( <i>Note</i> )		
– Cash Clients	5,624	3,494
– Margin Clients	10,272	14,428
– Clearing house	<u>1,518</u>	<u>11,929</u>
	17,414	29,851
Other payables	8,242	118
Accrued charges	<u>1,707</u>	<u>1,755</u>
	<u><u>27,363</u></u>	<u><u>31,724</u></u>

*Notes:*

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

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

No aged analysis is disclosed as, in the opinion of the directors, such disclosure is not meaningful in view of the nature of these businesses.

## 15. CONTINGENT LIABILITIES

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

Classictime Investments Limited (“**Classictime**”), a wholly-owned subsidiary of the Company, is the 24th Defendant in a writ of summons served on 19 December 2017 on behalf of Convoy Global Holdings Limited (“**Convoy**”, the 1st Plaintiff), Convoy Collateral Limited (“**CCL**”, the 2nd Plaintiff) and CSL Securities Limited (“**CSL**”, the 3rd Plaintiff) (collectively, the “**Plaintiffs**”) in a set of legal proceedings brought by the Plaintiffs in the High Court of Hong Kong (the “**Convoy HC Action**”). It is the Plaintiffs’ case that, amongst other things, the 1st Defendant, Mr. Cho Kwai Chee Roy, and his associates (who are named as co-defendants in the Convoy HC Action) implemented a scheme such that shares in Convoy would be allotted to and held by companies related to the 1st Defendant (the “**Placees**”) which had agreed to act upon the direction of the 1st Defendant. The Plaintiffs alleged that the 1st Defendant and his associates on the board of Convoy, CCL and/or CSL improperly used their power to allot shares and to grant loans to the detriment of the Convoy Group, constituting serious breaches of fiduciary duties or other director’s duties, dishonest assistance, unlawful and/or lawful means conspiracy. Classictime is one of the alleged Placees in the Convoy HC Action. The Plaintiffs, amongst other things, seek an order against Classictime that the allotment of shares to Classictime be set aside, together with damages, interests, costs, and further and/or other relief. As at the date of approval of these consolidated financial statements, 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 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.

## **16. EVENTS AFTER THE REPORTING PERIOD**

- (i) The Board proposed to change the English name of the Company from “Power Financial Group Limited” to “Minerva Group Holding Limited” (“**Proposed Change of Company Name**”). Following the Proposed Change of Company Name becoming effective, the Company will cease to register “**權威金融集團有限公司**” as its secondary name in Chinese and will adopt a new Chinese name “**贏集團控股有限公司**” for identification purpose only. For the details, please refer to the announcement of the Company dated 9 March 2023.
- (ii) Included in the Group’s financial assets at FVTPL as at 31 December 2022 are 790,442,000 listed shares of Town Health International Medical Group Limited (“**Town Health**”) with fair value of approximately HK\$300,368,000 at that date. Subsequent to 31 December 2022, the share price of Town Health declined significantly from HK\$0.38 per share to HK\$0.315 per share between the end of the reporting period and the date of approval of these consolidated financial statements, which resulted in a decline in fair value of approximately HK\$51,379,000 and this decline in fair value of approximately HK\$51,379,000 has not been recognised in the consolidated financial statements for the current year as the event of the fall in share price of Town Health subsequent to 31 December 2022 constitutes a non-adjusting event.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the year ended 31 December 2022 (the “**Year**”), Power Financial Group Limited (the “**Company**”) and its subsidiaries (together referred to as the “**Group**”) recorded revenue of approximately HK\$73.0 million (2021: HK\$95.7 million). The decline in overall revenue was principally driven by the drop in revenue from the two major business segments of the Group, including: (i) a decrease in interest income from money lending business of approximately HK\$10.9 million to approximately HK\$57.2 million for the Year (2021: HK\$68.1 million) and (ii) a decrease in income from financial services business of approximately HK\$6.7 million to approximately HK\$14.7 million for the Year (2021: HK\$21.4 million). In response to the sharper-than-expected slowdown in global economic activities and many uncertainties in the financial market, the management has enhanced the control measures in operating cost control. However, despite these efforts, the Group still experienced an overall decrease in gross profit to approximately HK\$67.9 million (2021: HK\$84.7 million) during the Year.

The net loss attributable to owners of the Company was approximately HK\$171.3 million compared to a net profit of approximately HK\$153.8 million in 2021. This sharp decrease was mainly a result from loss on fair value changes of financial assets at fair value through profit or loss (“**FVTPL**”) of approximately HK\$153.5 million for the Year (2021: gain on fair value changes of FVTPL of HK\$172.8 million) from holding equity securities listed in Hong Kong, which was principally in line with the dramatic slowdown of the Hong Kong stock market.

The Group’s cash position remained strong, with bank balances and cash totaling approximately HK\$220.1 million as at 31 December 2022 (2021: HK\$153.0 million).

### BUSINESS REVIEW

The global economy has been facing a series of challenges in recent times, starting with the outbreak of COVID-19 and its variants. The situation has been compounded by rising global inflationary pressure and the ongoing Russia-Ukraine conflict, which has had lingering effects on central banks and financial markets. Consequently, the International Monetary Fund has revised its global growth outlook from 3.4% in 2022 to 2.9% for the current year, reflecting the severity of the economic challenges faced by many countries around the world.

On the domestic front, the Hang Seng Index was one of the world's worst-performing major markets in 2022, Hong Kong stock market faced multiple challenges in 2022, including geopolitical tensions, aggressive rate hikes by the US Federal Reserve, COVID-19 outbreaks, and property market weakness in mainland China. The market was also affected by a regulatory crackdown on large-cap mainland China technology stocks and real estate stocks. These factors led to a decline in the market throughout the year, with the Hang Seng Index and the Hang Seng China Enterprises Index down 15.5% and 18.6%, respectively, and the Hang Seng TECH Index down 27.2%. The healthcare sector also saw a decline of 22.3% on the Hang Seng Composite Index (HSCI) – Industry Indexes. The market remained in the red for the year, marking the third consecutive year of decline.

Against this challenging backdrop, the Group remained committed to exercising financial prudence while staying the course with its action plans to deliver sustainable and profitable outcomes.

## **Financial Services**

The Group's financial services business is mainly operated by Minerva Securities Limited (formerly known as Power Securities Company Limited) ("**Minerva 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 Minerva Securities, principal activities include providing margin financing, securities brokerage services, and equity capital market ("**ECM**") services such as placings. Minerva 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, the financial services segment generated revenue of approximately HK\$14.7 million (2021: HK\$21.4 million), recording a decrease of approximately 31.3%. There was also a decrease 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\$12.1 million in 2022 compared with approximately HK\$18.3 million in 2021.

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. The Group aims to signify a broader focus on corporate finance, asset investment and management, as well as other advisory services, branching out from its principal business and positioning as a comprehensive financial service provider dedicated to mining for value and helping its clients to achieve their financial goals.

## **Money Lending**

The money lending operations of the Group are managed through its 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 E Cash’s business, the Group enhanced its money lending business as a result of the robust 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 project-based financing, subject to the prevailing market conditions and the Group’s assessment of achieving reasonable risk and returns. 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***

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.

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.

### ***Loan Approval***

Before any loan applications can be granted, internal credit assessments would have to be performed to decide the proposed loan size and interest rate charged. The internal credit assessment include, but is 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 searches on 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 that during the 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 relevant updated information and documents from the borrower; and (ii) perform public searches on the borrower to assess the recoverability of loan. Putting every possible effort on loan recovery, appropriate course of actions, such as sending legal demand letters, legal proceeding arrangements, 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. 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).

For the Group's existing loan portfolio as at 31 December 2022, the interest rates charged to borrowers for unsecured loans ranged from 10% 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 loans are subject to higher interest rates given the 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.

### ***Financial Information***

During the year ended 31 December 2022 (the "Year"), the Group's money lending segment generated revenue of approximately HK\$57.2 million (2021: HK\$68.1 million), accounting for approximately 78.4% of overall revenue, and money lending business remained as the major segment in support of the Group's comprehensive performance. Operating profit during the Year from this business segment amounted to approximately HK\$1.6 million (2021: HK\$18.7 million), representing a decrease of approximately 91.4% compared to that of the previous year.

For the year ended 31 December 2022, the Group recorded an impairment loss on loans and interest receivable of approximately HK\$28.3 million (2021: HK\$27.9 million), which was mainly due to the increased uncertainty of recoverability of certain past due loans. Despite being secured 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 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.

The following table shows the maturity and/or past due status of the Group's loan balance as at 31 December 2022 by different nature of loans.

Nature of loan	Loan principal as at 31 December 2022 (HK\$'000)	Interest rate per annum	% of total loan principal as at 31 December 2022	Loan matured but not settled;	% of past due loans to relevant principal
				or Loan not matured but with interest overdue (HK\$'000)	
Loans with security pledged	133,432	9% to 24%	23%	32,450	6%
Loans with guarantee	205,560	10% to 24%	36%	71,810	12%
Unsecured loans	<u>239,055</u>	10% to 36%	<u>41%</u>	<u>109,656</u>	<u>19%</u>
Total	<u><u>578,047</u></u>		<u><u>100%</u></u>	<u><u>213,916</u></u>	<u><u>37%</u></u>

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 2022. 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 2022.

## **Trading**

During 2020, the Group started its trading business, where 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 gradually picked up, the excess demand of healthcare related products during the COVID-19 Pandemic gradually normalized as existing and new suppliers built up production capacity and pricing became competitive. 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 nil (2021: HK\$1.8 million), incurring a segment loss of nil (2021: HK\$0.8 million) for the Year. The Group will continue to explore different forms of business potentials and investment opportunities in the 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 including a portfolio of bonds, funds, equity investments and investment property. 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 incurred a loss of approximately HK\$181.2 million for this segment, which was driven by the turnaround of stock performance during the year and a loss on changes of financial assets at fair value through profit or loss, especially arising from listed equity securities investments. The sharp loss was largely attributable to the dramatic slowdown of the Hong Kong stock market, which experienced its most significant sell-off in October 2022 since the dislocation during the Global Financial Crisis. The Hong Kong economy, including its stock market, has been adversely affected by the zero-Covid policy, which has restricted travel from mainland China and dampened consumer confidence. Additionally, concerns about rising interest rates, slowing economic growth, and persistently high inflation have triggered sustained bouts of selling throughout 2022, exacerbating the market's decline.

The Group had invested a portfolio of listed bonds in the past with an aim to generate stable and fixed interest income. Along with the worsening market sentiment, bond price adjustments, and past default occurrences of certain bonds, the management has been downsizing its bond investments in recent years. The fair value of the Group's bond portfolio amounted to nil as at 31 December 2022. During the Year, interest income from bond investments amounted to approximately HK\$0.7 million (2021: HK\$4.4 million), representing a decrease of approximately 84.1% compared to that of last year.

In addition, the Group has interests in five 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. The challenging economic environment, characterised by geopolitical tensions, aggressive rate hikes, COVID-19 outbreaks, and weak property markets, has led to a significant slowdown and uncertainties of the Hong Kong economy. In addition, regulatory crackdowns on large-cap mainland China technology, real estate stocks as well as the healthcare sector, have further exacerbated the decline of valuation in the relevant fund investments. These factors have contributed to the poorly performing fund investment for the Group, highlighting the difficulties faced by investors in generating stable returns in the current economic climate.

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 investment 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 Group Inc. was renamed as Seamless Group Inc. (“**Seamless Group**”) in February 2022.



Seamless Group 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, Seamless Group 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, representing approximately 1.05% of the issued share capital of Seamless Group at a 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 Seamless Group, 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**”) where, in the event that the disposal of 40% equity investment in a subsidiary of Seamless Group 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. The Call Option was expired on 16 April 2022, details of which was disclosed in the announcement of the Company dated 14 April 2022.

As at 31 December 2022, the Group’s financial assets at fair value through profit or loss amounted to approximately HK\$481.9 million (2021: HK\$585.8 million), including (a) equity securities totalling approximately HK\$382.6 million (2021: HK\$455.2 million); (b) unlisted investment funds of approximately HK\$77.2 million (2021: HK\$98.4 million); and (c) unlisted equity investment of approximately HK\$22.1 million (2021: HK\$32.2 million).

As at 31 December 2022, the Group’s portfolio of financial assets at fair value through profit or loss comprised (a) 21 equity securities listed in Hong Kong; and (b) 5 unlisted investment funds; and (c) unlisted equity investment. 20 listed equity securities, accounted for approximately 5.6% of the Group’s audited consolidated total assets as at 31 December 2022, while the remaining 1 accounted for approximately 20.4% of the Group’s audited consolidated total assets as at 31 December 2022. Each of the 5 unlisted investment funds accounted for approximate 0.15% to 2.42% of the Group’s audited consolidated total assets as at 31 December 2022.

As at 31 December 2022, as a result of the aforementioned downsizing, the Group's financial assets at fair value through other comprehensive income amounted to approximately nil (2021: HK\$15.3 million), all of which comprised listed bond investments.

### ***Financial assets at fair value though 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	Realised loss during the Year	Unrealised gain/(loss) during the Year
		31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021			
		(HK\$'000)	(HK\$'000)	('000)	('000)					(HK\$'000)	(HK\$'000)	(HK\$'000)
<b><i>Significant investments</i></b>												
<b>Listed securities</b>												
<b>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	300,368	310,790	790,442	706,742	10.53%	9.39%	21.15%	19.60%	1,162	-	(40,300)
<b><i>Other investments</i></b>												
Other listed securities investments*		82,293	144,443							138	(9,982)	(46,502)
Unlisted investment funds <sup>#</sup>		77,170	98,405							-	-	(46,684)
Unlisted equity investment <sup>^</sup>		22,102	32,167							-	-	(10,064)
<b>Grand total for the financial assets at fair value through profit or loss</b>		<b>481,933</b>	<b>585,805</b>							<b>1,300</b>	<b>(9,982)</b>	<b>(143,550)</b>

\* Other listed securities investments mainly comprise the Group's investments in 20 companies whose shares are listed on the Main Board and GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Each of the investments has a carrying amount that accounted for not more than 5% of the Group's audited consolidated total assets as at 31 December 2022.

# The unlisted investment funds comprise 5 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. Each of the unlisted investment funds has a carrying amount that accounted for not more than 5% of the Group's audited consolidated total assets as at 31 December 2022.

^ The unlisted equity investment represents the investment in Seamless Group.

## ***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	Impairment loss recognised during the Year
	31 December 2022	31 December 2021				changes recognised through other comprehensive income during the Year	
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Listed bond investments*	-	15,325	696	-	(39)	1,260	(3,753)
Grand total for the financial assets at fair value through other comprehensive income	-	15,325	696	-	(39)	1,260	(3,753)

\* 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. Each of the bond investments has a carrying amount that accounted for not more than 5% of the Group's audited consolidated total assets as at 31 December 2022.

## ***Significant Investment***

### ***Performance and future prospects of significant investment 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 2022 as follows:

As at 31 December 2022, the Group held 790,442,000 shares of Town Health, with investment cost of HK\$896.7 million, which represented approximately 10.53% of the issued shares of Town Health as at 31 December 2022. The fair value of such investment was approximately HK\$300.37 million, representing approximately 20.4% of the Group's audited consolidated total assets as at 31 December 2022 and approximately 21.2% of the Group's audited consolidated net assets as at 31 December 2022.

There was a dividend of approximately HK\$1.2 million received by the Group from Town Health during the Year and the Group recorded a fair value loss of approximately HK\$40.3 million for its investment in Town Health.

Details of the performance, material factors underlying the results and financial position, significant events and the future prospects of Town Health are disclosed in Town Health's final result announcement for the year ended 31 December 2022 published on 28 March 2023.

As disclosed in the final result announcement of Town Health as published on the website of the Stock Exchange. During the Year, Town Health recorded a net profit of approximately HK\$49.5 million (2021: HK\$75.1 million). Despite a growth in revenue to approximately HK\$1,535.6 million in 2022 (2021: HK\$1,483.9 million), the overall decrease in net profit was mainly attributable to the combined effect of: (i) a drop in gross profit to approximately HK\$414.4 million in 2022 (2021: HK\$471.3 million); (ii) the share of losses of associates of approximately HK\$5.6 million in 2022 (2021: share of profits of associates of HK\$40.5 million); (iii) the fair value loss of the Town Health's investment properties of approximately HK\$6.9 million in 2022 (2021: fair value gain of HK\$47.7 million); (iv) the absence of compensation received of approximately HK\$49.3 million recognised in 2021; and (v) the absence of expected credit loss on a promissory note of approximately HK\$117.8 million recognised in 2021.

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.

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

Save as disclosed in Note 16 "Events after the reporting period", no important events affecting the Company occurred since 31 December 2022 and up to the date of this announcement.

## **BUSINESS OUTLOOK**

Benefiting from the full removal of immigration controls with Mainland China and further relaxation of social distancing measures, Hong Kong is expected to turnaround to economic growth in 2023.

The recent global market conditions, including the U.S. Federal Reserve's interest rate hike, the collapse of US and Swiss banks, global economic slowdown, the European Central Bank's policy shift, geopolitical tensions, and rising commodity prices, could have significant implications for the financial industry in Hong Kong. It is expected that market volatility will continue to persist amid the rising global inflationary pressures.

Meanwhile, 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. In addition to the special purpose acquisition company (“SPAC”) listing regime announced in 2022, Stock Exchange also announced a new channel for both commercial and pre-profit specialist technology companies to list in Hong Kong. This type of enhanced listing regime is expected to attract more high-growth, innovative mainland and Southeast Asian companies to list in Hong Kong.

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 the broad social networks of the Group's experienced staff and new hires 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 E Finance. 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 risks and returns and 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 repayment ability 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.

In view of the drop in profitability and intense price competition due to the relative low barriers to entry, the Group had swiftly downscaled its trading operation during the year. Yet, in view of the fact that the healthcare industry continues to grow as the population swells along with the rise in health consciousness. The Group will continuously look into investment opportunities in health care sector to bring return to the Group in a sustainable manner.

## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2022, the Group held bank balances and cash of approximately HK\$220.1 million (2021: HK\$153.0 million). Net current assets amounted to approximately HK\$1,274.1 million (2021: HK\$1,428.9 million). Current ratio (defined as total current assets divided by total current liabilities) was approximately 24.8 times (2021: 31.8 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 3.7% (2021: 2.9%).

As at 31 December 2022, the Group had approximately HK\$23.6 million bank borrowings (2021: nil) pledged by on investment property. 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 and there was no related hedges.

## CHARGES ON THE GROUP'S ASSETS

As at 31 December 2022, an investment property of HK\$40.9 million (2021: nil) has been pledged as collateral for mortgage loan (2021: nil).

## CAPITAL COMMITMENT

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

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Commitment contracted for but not provided for in respect of investment in an unlisted investment fund which will be recognised as financial assets at FVTPL	<u><b>2,880</b></u>	<u>3,711</u>

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed 24 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training. The Group remunerates its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as the individual's performance.

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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company complied with the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Listing Rules during the Year except for the following deviation:

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

During the Year, Mr. Choi Chun Chung, Danny (“**Mr. Choi**”), who resigned on 30 September 2022, assumed the roles of both chairman of the Board (the “**Chairman**”) and chief executive officer of the Company (the “**CEO**”). Although Mr. Choi's acting as the Chairman and the CEO concurrently deviates from the code provision C.2.1 of the CG Code, the Board believes that, after evaluation of the situation of the Company at that moment and taking into account of the experience and past performance of Mr. Choi, (i) it is appropriate and in the interests of the Company for Mr. Choi to hold both positions as the Chairman and the CEO as it helps to maintain the continuity of the policies and the stability of the operations of the Company; and (ii) such practice does not impair the balance of power and authority.

Following Mr. Choi's resignation as an executive Director, the Chairman and the CEO, Mr. Li Wing Cheong, an executive Director, was appointed as the Chairman with effect from 30 September 2022. Mr. Choi acts as an advisor to the Group with effect from 1 October 2022. However, the position of the CEO is vacant. The duties and responsibilities of the CEO are now shared among the members of the Board. In view of the size of operations of the Group, the Board considers that it is suitable for implementing the Company's strategies under this arrangement. The Board shall review this arrangement from time to time to ensure appropriate and timely action is taken to meet changing circumstances.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors and by relevant employees of the Group. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and its code of conduct regarding the Directors' securities transactions during the Year.

## **AUDIT COMMITTEE**

The audit committee of the Company (“**Audit Committee**”) has reviewed the Group’s audited consolidated financial statements for the Year and the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with the management of the Company including a review of the audited consolidated financial statements for the Year with no disagreement by the Audit Committee.

## **SCOPE OF WORK OF CCTH CPA LIMITED**

The figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the Year as set out in this announcement have been agreed by the Group’s auditor, CCTH CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2022. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by CCTH CPA Limited on this announcement.

By Order of the Board  
**Power Financial Group Limited**  
**Li Wing Cheong**  
*Chairman*

Hong Kong, 29 March 2023

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