



Power Financial Group Limited 權威金融集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 397)

2018
Interim Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu William Wai Leung

(Chief Executive Officer)

Mr. Sit Sai Hung, Billy

Non-executive Director

Mr. Choi Chun Chung, Danny

(Chairman)

Independent Non-executive Directors

Mr. Wong Kun To

Mr. Chu Hau Lim

Ms. Lim Xue Ling, Charlene

AUDIT COMMITTEE

Mr. Chu Hau Lim *(Chairman)*

Mr. Wong Kun To

Ms. Lim Xue Ling, Charlene

REMUNERATION COMMITTEE

Mr. Wong Kun To *(Chairman)*

Mr. Choi Chun Chung, Danny

Mr. Chu Hau Lim

Ms. Lim Xue Ling, Charlene

NOMINATION COMMITTEE

Mr. Choi Chun Chung, Danny

(Chairman)

Mr. Wong Kun To

Mr. Chu Hau Lim

Ms. Lim Xue Ling, Charlene

COMPANY SECRETARY

Mr. Siu Kam Chau

AUDITOR

BDO Limited

Certified Public Accountants

25/F, Wing On Centre

111 Connaught Road Central

Hong Kong

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

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Units 3910–13, 39/F

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Hong Kong

PRINCIPAL BANKER

Dah Sing Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

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183 Queen's Road East

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FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2018:

- The Group recorded revenue of approximately HK\$10,393,000 (six months ended 30 June 2017: HK\$25,597,000).
- Loss attributable to owners of the Company amounted to approximately HK\$202,559,000 (six months ended 30 June 2017: HK\$684,237,000). The loss was mainly attributable to the loss arising from fair value changes of listed securities investments of approximately 156,131,000 (six months ended 30 June 2017: HK\$635,427,000).
- The Board does not recommend the payment of an interim dividend.

At 30 June 2018:

- The Group held financial assets at fair value through other comprehensive income of approximately HK\$630,132,000 (31 December 2017: available-for-sale investments of approximately HK\$326,342,000).
- The Group held bank balances and cash of approximately HK\$467,339,000 (31 December 2017: HK\$863,552,000), loan receivables of approximately HK\$178,854,000 (31 December 2017: HK\$27,560,000) and financial assets at fair value through profit or loss of approximately HK\$441,763,000 (31 December 2017: held-for-trading investments of approximately HK\$765,733,000) respectively.
- Net current assets amounted to approximately HK\$1,263,907,000 (31 December 2017: HK\$1,627,134,000). Current ratio (defined as total current assets divided by total current liabilities) was 21.71 times (31 December 2017: 13.63 times).
- Net assets amounted to approximately HK\$1,800,473,000 (31 December 2017: HK\$2,014,209,000).
- The Group had borrowings of approximately HK\$74,300,000 (31 December 2017: HK\$137,400,000).

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Power Financial Group Limited (the “Company”) presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2018 together with the unaudited comparative figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
	Notes	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	3	10,393	25,597
Direct operating costs		(4,011)	(5,039)
Gross profit		6,382	20,558
Other income, gains and losses	5	116	(76,916)
Dividend income		2,827	55,130
Fair value changes of listed securities investments		(156,131)	(635,427)
Administrative expenses		(31,730)	(40,673)
Share of results of associates		(18,432)	8,636
Finance costs	6	(5,314)	(13,112)
Loss before tax	7	(202,282)	(681,804)
Income tax expense	8	(316)	(2,433)
Loss for the period		(202,598)	(684,237)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
	Notes	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Other comprehensive (expense) income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(343)	3,776
Share of other comprehensive (expense) income of associates		(1,491)	10,565
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes on financial assets at fair value through other comprehensive income		(6,178)	—
Other comprehensive (expense) income for the period, net of income tax		(8,012)	14,341
Total comprehensive expense for the period		(210,610)	(669,896)
Loss for the period attributable to:			
– Owners of the Company		(202,559)	(684,237)
– Non-controlling interests		(39)	—
		(202,598)	(684,237)
Total comprehensive expense for the period attributable to:			
– Owners of the Company		(210,571)	(669,896)
– Non-controlling interests		(39)	—
		(210,610)	(669,896)
Loss per share			
– Basic and diluted (HK cents)	10	(6.56)	(23.50)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

		At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		63,689	59,878
Goodwill		808	808
Interests in associates		17,300	37,222
Financial assets at fair value through other comprehensive income		489,739	—
Available-for-sale investments		—	326,342
Loan receivables	11	2,250	—
Other assets		180	225
		573,966	424,475
Current assets			
Loan receivables	11	176,604	27,560
Amounts due from associates		37,293	37,166
Trade and other receivables	12	41,138	39,689
Tax recoverable		3,236	2,951
Financial assets at fair value through profit or loss		441,763	—
Held-for-trading investments		—	765,733
Financial assets at fair value through other comprehensive income		140,393	—
Bank trust account balances		17,182	19,283
Bank balances and cash		467,339	863,552
		1,324,948	1,755,934

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Current liabilities			
Trade and other payables	13	24,141	28,800
Borrowings		36,900	100,000
		61,041	128,800
Net current assets		1,263,907	1,627,134
Total assets less current liabilities		1,837,873	2,051,609
Non-current liabilities			
Borrowings		37,400	37,400
Net assets		1,800,473	2,014,209
Capital and reserves			
Share capital		30,864	30,864
Reserves		1,768,141	1,978,463
Equity attributable to owners of the Company		1,799,005	2,009,327
Non-controlling interests		1,468	4,882
Total equity		1,800,473	2,014,209

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

Attributable to owners of the Company

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Other reserve	Translation reserve	Investment revaluation reserve	Share-based payments	Accumulated losses	Sub-total	Non-Controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017 (Audited)	29,117	3,801,296	861	494,907	(14,120)	-	-	38,810	(1,481,835)	2,869,036	5,102	2,874,138
Loss for the period	-	-	-	-	-	-	-	-	(684,237)	(684,237)	-	(684,237)
Other comprehensive income for the period	-	-	-	-	10,565	3,776	-	-	-	14,341	-	14,341
Total comprehensive income (expense) for the period	-	-	-	-	10,565	3,776	-	-	(684,237)	(669,896)	-	(669,896)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	13,719	-	13,719	-	13,719
At 30 June 2017 (Unaudited)	29,117	3,801,296	861	494,907	(3,555)	3,776	-	52,529	(2,166,072)	2,212,859	5,102	2,217,961
At 1 January 2018 (Audited)	30,864	3,840,617	861	494,907	3,818	235	-	2,563	(2,364,538)	2,009,327	4,882	2,014,209
Loss for the period	-	-	-	-	-	-	-	-	(202,559)	(202,559)	(39)	(202,598)
Other comprehensive expense for the period	-	-	-	-	(1,491)	(343)	(6,178)	-	-	(8,012)	-	(8,012)
Total comprehensive expense for the period	-	-	-	-	(1,491)	(343)	(6,178)	-	(202,559)	(210,571)	(39)	(210,610)
Acquisition of additional interest in a subsidiary (Note 16)	-	-	-	-	249	-	-	-	-	249	(3,375)	(3,126)
Lapse of share options	-	-	-	-	-	-	-	(748)	748	-	-	-
At 30 June 2018 (Unaudited)	30,864	3,840,617	861	494,907	2,576	(108)	(6,178)	1,815	(2,566,349)	1,799,905	1,468	1,800,473

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash used in operating activities	(8,426)	(66,589)
Net cash used in investing activities	(315,903)	(621)
Net cash (used in) generated from financing activities	(71,540)	74,684
(Decrease) increase in cash and cash equivalents	(395,869)	7,474
Cash and cash equivalents at the beginning of the period	863,552	182,286
Effect of foreign exchange rate changes	(344)	—
Cash and cash equivalents at the end of the period, represented by bank balances and cash	467,339	189,760

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

These condensed consolidated interim financial information have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). These condensed consolidated interim financial information were authorised for issue on 28 August 2018.

These condensed consolidated interim financial information are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These condensed consolidated interim financial information contain condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. These condensed consolidated interim financial information and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2017 annual financial statements.

These condensed consolidated interim financial information have been prepared with the same accounting policies adopted in the 2017 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018. This is the first set of the Group’s condensed consolidated interim financial information in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 2.

In preparing these condensed consolidated interim financial information, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2017 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 2.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK(IFRIC)-Interpretation 22, Foreign Currency Transactions and Advance Considerations
- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to HKFRS 4, Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014–2016 Cycle, Investments in Associates and Joint Ventures
- Amendments to HKAS 40, Transfers of Investment Property
- Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014–2016 Cycle, First-time Adoption of Hong Kong Financial Reporting Standards

The impact of the adoption of HKFRS 9 Financial Instruments (see note 2A below) and HKFRS 15 Revenue from Contracts with Customers (see note 2B below) have been summarised below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(Continued)

A. HKFRS 9 Financial Instruments

(i) *Classification and measurement of financial instruments*

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial information.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(Continued)

A. HKFRS 9 Financial Instruments (Continued)

(i) *Classification and measurement of financial instruments* (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(Continued)

A. HKFRS 9 Financial Instruments (Continued)

(i) *Classification and measurement of financial instruments* (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVTOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVTOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(Continued)

A. HKFRS 9 Financial Instruments (Continued)

(i) *Classification and measurement of financial instruments* (Continued)

- (a) As of 1 January 2018, certain investment in listed equity investments were reclassified from available-for-sale investments to FVTOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVTOCI. As at 1 January 2018, there was no material difference between the previous carrying amount and the fair value.
- (b) As of 1 January 2018, certain unquoted equity investments were reclassified from available-for-sale investments at cost to FVTOCI. These unquoted equity instrument has no quoted price in an active market. The Group intends to hold these unquoted equity investments for long term strategic purposes. In addition, the Group has designated such unquoted equity instrument at the date of initial application as measured at FVTOCI. As at 1 January 2018, there was no material difference between the previous carrying amount and the fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(Continued)

A. HKFRS 9 Financial Instruments (Continued)

(i) *Classification and measurement of financial instruments* (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January	Carrying amount as at 1 January
			2018 under HKAS 39 HK\$'000	2018 under HKFRS 9 HK\$'000
Listed equity investments	Held-for-trading investments	FVTPL	765,733	765,733
Listed equity investments	Available-for-sale investments (at fair value) (note 24(i)(a))	FVTPL	13,325	13,325
Unlisted equity investments	Available-for-sale investments (at cost) (note 24(i)(b))	FVTOCI	313,017	313,017
Trade receivables	Loans and receivables (note 24(iii))	Amortised cost	32,454	32,454
Loan receivables	Loans and receivables (note 24(iii))	Amortised cost	27,560	27,560
Amounts due from associates	Loans and receivables (note 24(iii))	Amortised cost	37,166	37,166
Other receivables	Loans and receivables (note 24(iii))	Amortised cost	7,235	7,235
Bank trust account balances	Loans and receivables	Amortised cost	19,283	19,283
Bank balances and cash	Loans and receivables	Amortised cost	863,552	863,552

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(Continued)

A. HKFRS 9 Financial Instruments (Continued)

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs and debt investment at FVTOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

For trade receivables, the Group has applied the standard simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic conditions.

For loan receivables, other receivables, amounts due from associates and debt investment at FVTOCI, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(Continued)

A. HKFRS 9 Financial Instruments (Continued)

(ii) *Impairment of financial assets (Continued)*

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVTOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

Impact of the ECL model

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group assessed the ECLs of financial assets measured at amortised cost as at 1 January 2018. There was no significant change to the loss allowance for these financial assets of the Group as at 1 January 2018.

(iii) *Hedge accounting*

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(Continued)

A. HKFRS 9 Financial Instruments (Continued)

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVTOCI.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(Continued)

B. HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of HKFRS 15 did not result in significant changes to the Group's accounting policies regarding the recognition of interest income from money lending, interest income from bond investments and revenue from financial services or significant impact on the Group's condensed consolidated interim financial information.

3. REVENUE

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

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest income from money lending	3,793	1,864
Income from financial services		
– Commission income from securities brokerage	435	4,873
– Commission income from placing and underwriting	62	2,295
– Corporate finance advisory services	238	–
– Interest income from clients	1,709	16,565
Interest income from bond investments	4,156	–
	10,393	25,597

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance.

The Group's reportable and operating segments under HKFRS 8 are as follows:

- Financial services segment – Provision of financial services including securities brokerage, placing and underwriting in Hong Kong;
- Money lending segment – Provision of loan financing in Hong Kong; and
- Assets investment segment – Investments in debt securities earning fixed interest income, as well as investments in listed and unlisted securities, options and investment funds earning variable returns and gains.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the six months ended 30 June 2018

	Financial services segment (Unaudited) HK\$'000	Money lending segment (Unaudited) HK\$'000	Assets investment segment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue				
– Revenue from external customers	2,444	3,793	4,156	10,393
Other income, gains and losses				
– Dividend income from listed securities and fund investments	–	–	2,827	2,827
– Fair value changes of listed securities investments	–	–	(156,131)	(156,131)
	2,444	3,793	(149,148)	(142,911)
Results				
Segment results	(9,249)	1,884	(168,896)	(176,261)
Unallocated corporate income				566
Unallocated corporate expenses				(2,841)
Finance costs				(5,314)
Share of results of associates				(18,432)
Loss before tax				(202,282)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2017

	Financial services segment (Unaudited) HK\$'000	Money lending segment (Unaudited) HK\$'000	Assets investment segment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue				
– Revenue from external customers	23,733	1,864	–	25,597
Other income, gains and losses				
– Dividend income from listed securities and fund investments	–	–	55,130	55,130
– Fair value changes of listed securities investments	–	–	(635,427)	(635,427)
	23,733	1,864	(580,297)	(554,700)
Results				
Segment results	11,765	942	(649,939)	(637,232)
Unallocated corporate income				523
Unallocated corporate expenses				(40,619)
Finance costs				(13,112)
Share of results of associates				8,636
Loss before tax				(681,804)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the (loss) profit from each segment without allocation of directors' emoluments, certain other income, gains and losses and certain administrative expenses, finance costs and share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Segment assets		
Financial services segment	53,764	53,393
Money lending segment	179,854	31,114
Assets investment segment	1,243,901	1,358,152
Total segment assets	1,477,519	1,442,659
Unallocated		
– Bank balances and cash	331,889	658,249
– Other unallocated assets	89,506	79,501
Consolidated total assets	1,898,914	2,180,409
Segment liabilities		
Financial services segment	20,842	24,954
Money lending segment	765	382
Assets investment segment	1,472	2,728
Total segment liabilities	23,079	28,064
Unallocated	75,362	138,136
Consolidated total liabilities	98,441	166,200

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

- all assets are allocated to operating segments other than other assets, bank balances and cash, goodwill, tax recoverable, amounts due from associates and interests in associates not allocated to segment assets; and
- all liabilities are allocated to operating segments other than borrowings not allocated to segment liabilities.

Geographic information

The Group's revenue from external customers and non-current assets are all located in Hong Kong as all the customers and the assets are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Customer A (revenue from financial services business and money lending business)	1,943	—*

* The corresponding revenue did not contribute 10% or more of the total revenue.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest income	566	523
Sundry income	1	1,396
Gain on disposal of property, plant and equipment	269	—
Loss on disposal of bond investments	(732)	—
Gain on disposal of fund investments	12	—
Loss on disposal of subsidiaries	—	(475)
Loss on disposal of associates	—	(10,402)
Impairment loss on listed securities investments	—	(67,958)
	116	(76,916)

6. FINANCE COSTS

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest on other borrowings	5	96
Interest on loan notes	5,309	13,016
	5,314	13,112

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. LOSS BEFORE TAX

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	1,843	1,586
Operating lease payments in respect of land and buildings	1,604	1,614
Exchange gains, net	(100)	(12)
Impairment loss on trade receivables	1,206	–
Reversal of impairment loss on trade receivables	(9)	–

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax:		
– Hong Kong Profits Tax	316	2,433
Tax expense for the period	316	2,433

Hong Kong Profits Tax is calculated at the tax rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2018.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

10. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares during the six months ended 30 June 2018 and 2017.

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000)	3,086,373	2,911,713

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Loss for the period attributable to owners of the Company (HK\$'000)	(202,559)	(684,237)
Basic and diluted loss per share (HK cents)	(6.56)	(23.50)

The computation of diluted loss per share for the six months ended 30 June 2018 and 2017 did not assume the exercise of outstanding share options of the Company since the assumed exercise would result in a decrease in loss per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. LOAN RECEIVABLES

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Fixed rate loan receivables	178,854	27,560
Analysed as:		
Non-current	2,250	—
Current	176,604	27,560
	178,854	27,560

The effective interest rate of the loan receivables is ranging from 6% to 12.75% (31 December 2017: 12%) per annum.

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

The Directors consider that the fair values of loan receivable are not materially different from their carrying amounts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. LOAN RECEIVABLES (Continued)

The ageing analysis of loan receivable (net of impairment loss) based on due date at the end of reporting period is as follows:

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Neither past due nor impaired	178,854	27,560

At 30 June 2018, loan receivables of approximately HK\$178,854,000 (31 December 2017: HK\$27,560,000) were neither past due nor impaired. The management believes that no impairment allowance is necessary in respect of the loan receivables as they are considered fully recoverable.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Trade receivables from:		
Financial services operation		
– Cash clients (<i>Note (a)</i>)	870	853
– Margin clients (<i>Note (b)</i>)	48,262	47,328
– Clearing house (<i>Note (a)</i>)	10,237	12,936
Money lending operation (<i>Note (c)</i>)	894	1,538
Less: provision for impairment loss on trade receivables	(31,398)	(30,201)
	28,865	32,454
Other receivables	12,273	7,235
Total trade and other receivables	41,138	39,689

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

- (a) 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.

Except for the amount of approximately HK\$288,000 (31 December 2017: HK\$297,000) which were fully impaired, there was no other impaired debt from cash clients as at 30 June 2018.

No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis does not give additional value in view of nature of these cash clients.

Receivables that were past due but not impaired represent unsettled trade transacted on the last two days prior to the end of reporting period and also relates to a wide range of independent clients for whom there are no recent history of default.

- (b) Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. 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. As at 30 June 2018, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK\$40,433,000 (31 December 2017: HK\$34,687,000).

The advance to customers in margin financing have been reviewed by the management to assess impairment allowances which based on evaluation of collectability and on management's judgement, including the current creditworthiness and the past collection statistics of individual account. Except for the amount of approximately HK\$31,110,000 (31 December 2017: HK\$29,904,000) which were fully impaired, there was no other impaired debt from margin financing as at 30 June 2018 and 31 December 2017.

No ageing analysis is disclosed as, in the opinion of the Directors, the ageing analysis is not meaningful in view of the revolving nature of securities business.

- (c) At 30 June 2018, loan interest receivables in money lending operation of approximately HK\$894,000 (31 December 2017: HK\$1,538,000) were neither past due nor impaired. The management believes that no impairment allowance is necessary in respect of the loan interest receivables as they are considered fully recoverable.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. TRADE AND OTHER PAYABLES

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Trade payables from:		
Financial services operation		
– Cash clients (<i>Notes (a) and (b)</i>)	3,205	7,240
– Margin clients (<i>Notes (a) and (b)</i>)	14,891	15,355
– Clearing house (<i>Notes (a) and (b)</i>)	–	242
Money lending operation	250	–
	18,346	22,837
Other payables (<i>Note (c)</i>)	1,824	1,214
Accruals	3,971	4,749
Total trade and other payables	24,141	28,800

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. TRADE AND OTHER PAYABLES (Continued)

Notes:

- (a) The majority of the trade payables are repayable on demand except where certain balances payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.
- (b) The settlement terms of trade payables arising from the ordinary course of business of dealing in securities from clients and clearing house are two days after trade date.
- (c) As at 31 December 2017, other payables include a margin payable of approximately HK\$1,092,000 from the securities trading accounts with interest rate of 2.78% per annum and is secured by the listed securities investments amounting to HK\$18,270,000. The margin payable was subsequently settled and the pledge of securities was released accordingly during January 2018.
- (d) No ageing analysis is disclosed as, in the opinion of the Directors, the ageing analysis is not meaningful in view of the nature of these businesses.

14. OPERATING LEASE COMMITMENT

At the end of the reporting period, the Group had commitment for future minimum lease payments under a non-cancellable operating lease in respect of its office premises which fall due as follows:

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Within one year	3,912	—
In the second to fifth years inclusive	5,869	—
	9,781	—

As at 30 June 2018, lease is negotiated and rental is fixed for a term of three years (31 December 2017: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. CAPITAL COMMITMENTS

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

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Commitments contracted for but not provided for in respect of investments in funds which will be recognised as financial assets at FVTOCI	22,356	7,116

16. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 24 May 2018, the Company acquired an additional 9.9% of the issued shares of Pictures Global Holdings Limited ("Pictures Global") for a purchase consideration of approximately HK\$3,126,000. The carrying amount of the non-controlling interests in Pictures Global on the date of acquisition was approximately HK\$3,375,000. The Group recognised a decrease in non-controlling interests of approximately HK\$3,375,000 and an increase in equity attributable to owners of the Company of approximately HK\$249,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	Fair value		Fair value hierarchy	Valuation technique (s) and key input(s)
	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000		
Financial assets				
Securities investments listed in and outside Hong Kong classified as financial assets at fair value through profit or loss (31 December 2017: held-for-trading investments)	97,607	408,878	Level 1	Quoted bid prices
Securities investments listed in Hong Kong, the trading of which on the Stock Exchange were suspended and classified as financial assets at fair value through profit or loss (31 December 2017: held-for-trading investments)	343,906	344,954	Level 3	Index return method
Unlisted investment funds classified as financial assets at fair value through profit or loss (31 December 2017: held-for-trading investments)	250	11,901	Level 2	Broker's quoted prices
Bond investments classified as financial assets at fair value through other comprehensive income	291,080	–	Level 2	Broker's quoted prices
Unlisted investment funds classified as financial assets at fair value through other comprehensive income	328,836	–	Level 2	Broker's quoted prices
Securities investments listed in Hong Kong classified as financial assets at fair value through other comprehensive income (31 December 2017: available-for-sale investments)	10,216	13,325	Level 1	Quoted bid prices

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

There were no transfers between the different levels of the fair value hierarchy for the six months ended 30 June 2018. There was a transfer of fair value measurements into level 3 for certain held-for-trading investments during the year ended 31 December 2017.

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

18. 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 delivered to the office of the Company on 19 December 2017 (and amended and re-filed on 29 June 2018) 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, together with Convoy and CCL, the “Plaintiffs”) as the Plaintiffs in a legal proceeding in the High Court of Hong Kong (the “HC Action”). Among other things, it is the Plaintiffs’ case that the 1st Defendant, Mr. Cho Kwai Chee Roy, and his associates (also named as defendants in the 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 in accordance with 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 Placees named in the HC Action. Among other things, the Plaintiffs claim an order against Classictime that the allotment of shares to Classictime be set aside, and seek an account of profits, damages, interests, costs, further and/or other reliefs. As at the date of this report, such litigation has gone into pleadings stage.

Please refer to the Company’s announcement dated 20 December 2017 for more details.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. CONTINGENT LIABILITIES (Continued)

(ii) **Zhu Xiao Yan Petition**

Classictime is the 24th Respondent in a petition (“Petition”) delivered to the office of the Company on 2 January 2018 on behalf of Zhu Xiao Yan (“Petitioner”) as the petitioner under a legal proceeding in the High Court of Hong Kong. In summary, the Petitioner alleged that she had suffered losses as a result of the acts of the defendants in the 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, where the Court directed that the Petition be stayed with liberty to restore.

(iii) **Writ of summons by Best Year Enterprises Limited**

On 24 July 2018, a writ of summons together with the statement of claim was served on Power Securities Company Limited (“Power Securities”), a wholly-owned subsidiary of the Company. The legal proceedings was brought by Best Year Enterprises Limited, against, among other persons, Power Securities and Mr. Sit Sai Hung, Billy, an executive Director. It is Power Securities’ intention to contest the said legal proceedings and the Group is currently seeking legal advice in this connection.

Please refer to the Company’s announcement dated 25 July 2018 for more details.

Given that the three litigations are still at a preliminary stage and has not gone into substantive pleading stage, having considered the alleged claims and consulted the Company’s legal adviser, the Directors are of the views that (i) it is premature to assess the possible outcome of any claim which is pending, either individually or on a combined basis; (ii) it is uncertain as to whether there will be any impact, and if so, the quantum, on the financial position of the Company; and (iii) no provision for the claims in these legal proceedings is required to be made based on its current development. The Directors monitor these litigations against the Group closely.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

Change in classification

During the six months ended 30 June 2018, the Group modified the condensed consolidated statement of profit or loss and other comprehensive income classification of certain staff costs within direct operating costs and administrative expenses reflect more appropriately the nature of expenses by function. Comparative amounts in the condensed consolidated statement of profit or loss and other comprehensive income were reclassified for consistency.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2018 (the “Period”), the Group recorded revenue of approximately HK\$10,393,000 (six months ended 30 June 2017: HK\$25,597,000), and net loss attributable to owners of the Company of approximately HK\$202,559,000 (six months ended 30 June 2017: HK\$684,237,000). The loss was principally attributable to the losses of approximately HK\$156,131,000 arising on fair value changes of listed securities investments (six months ended 30 June 2017: HK\$635,427,000), comprising realised losses of HK\$70,651,000 and unrealised losses of HK\$85,480,000. The aforesaid unrealised losses are non-cash in nature and will not have any impact on the cash flows of the Group. As at 30 June 2018, the Company had bank balances and cash of approximately HK\$467,339,000 (31 December 2017: HK\$863,552,000). In spite of the continuous operating loss, the fundamental of the financial business is still well on track and the Group is still prudent in managing its business and risks.

BUSINESS REVIEW

Sino-US Trade War Clouded the Investment Market

In the beginning of 2018, the global financial markets started the year strong. In January, Hang Seng Index has reached a record high with increasing trading volume. However, in February, the US Federal Reserve indulged interest rate hike and the US 10-year bond rushed high. Furthermore, the possibility of Sino-US trade war, the instable Italian political situation and the soaring oil prices under the Middle East geopolitical conflict, all caused the global market to fluctuate dramatically. Together with the signs that China’s economy may be slowing faster than expected added the fuel to the selloff, the Hang Seng Index dropped 974 points or 3.2% in the first half of 2018, closing at 28,944 points on 29 June 2018, with a high and low amplitude of 5,315 points in the first half of 2018.

The weak global economic growth and anti-globalisation sentiments brought the Group with uncertainty, making it hard for the Company to grow business and it was also much harder to profit from investments in stock market when the market is volatile.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial services

The Group's financial services business includes carrying on regulated activities in connection with dealing in securities, corporate finance and asset management. By now, this segment has become the core business segment of the Group and has generated stable cash flow.

During the Period, financial services business segment has generated revenue of HK\$2,444,000 (six months ended 30 June 2017: HK\$23,733,000) and recorded a loss of approximately HK\$9,249,000 (six months ended 30 June 2017: profit of HK\$11,765,000). During the Period, Power Securities restructured and slowed down the business of margin financing since the third quarter of 2017 and therefore a substantial drop in interest income from margin financing was resulted during the Period. During the Period, the Group recorded interest income from margin financing of approximately HK\$1,709,000 (six months ended 30 June 2017: HK\$16,565,000). Since the third quarter of 2017, Power Securities has reviewed the internal controls over margin financing and optimised the Compliance and Procedures Manual in March 2018, and it is expected that the margin financing business will revamp in the second half of 2018.

Money lending

The Group has been engaged in money lending business through E Finance Limited, a wholly-owned subsidiary of the Company. During the Period, money lending business segment has achieved interest income of approximately HK\$3,793,000 (six months ended 30 June 2017: HK\$1,864,000). During the Period, the Group extended the money lending business by provision of property mortgage loans to individuals and corporations with good credit records in Hong Kong. The outstanding principal amount of the loan receivables as at 30 June 2018 was approximately HK\$178,854,000 (31 December 2017: HK\$27,560,000). During the Period, the Group did not record any doubtful or bad debt in its money lending business (six months ended 30 June 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Assets investment

In respect of the assets investment business, the Group continued to record a significant loss, principally attributable to the loss arising from fair value changes of listed securities investments of approximately HK\$156,131,000. During the Period, the assets investment business segment recorded a loss of approximately HK\$168,896,000 (six months ended 30 June 2017: HK\$649,939,000). During the Period, in order to diversify the source of income and earn more stable and fixed income, the Group utilised its funds to generate interest income of approximately HK\$4,156,000 (six months ended 30 June 2017: Nil) from bond investments.

Significant investments

As at 30 June 2018, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$441,763,000 (31 December 2017: held-for-trading investments of approximately HK\$765,733,000), including investments in equity securities listed in Hong Kong of approximately HK\$441,513,000 and unlisted investment fund of approximately HK\$250,000.

As at 30 June 2018, the Group's portfolio of financial assets at fair value through profit or loss comprised 37 equity securities listed in Hong Kong, and 1 unlisted investment fund. Among them, 34 of such investments accounted for less than 1% of the Group's unaudited total assets and the remaining accounted for approximately 1% to approximately 16.77% of the Group's unaudited total assets as at 30 June 2018.

As at 30 June 2018, the Group's financial assets at fair value through other comprehensive income of approximately HK\$630,132,000 (31 December 2017: available-for-sale investments of approximately HK\$326,342,000) comprised (a) bond investments of approximately HK\$291,080,000 (31 December 2017: Nil), all of which were issued by companies listed in Hong Kong or the People's Republic of China (the "PRC"); and (b) equity investments of approximately HK\$339,052,000 (31 December 2017: HK\$326,342,000), including equity investments listed in Hong Kong of approximately HK\$10,216,000 and investment funds of approximately HK\$328,836,000.

The Directors considered that investments with a carrying amount that account for more than 5% of the Group's unaudited total assets as at 30 June 2018 as significant investments.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial assets at fair value through profit or loss (as at 31 December 2017: held-for-trading investments)

Description of investments	Brief description of the business	Market 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 unaudited net assets as at	Dividends received during the Period (HK\$'000)	Realised gain (loss) during the Period (HK\$'000)	Unrealised loss during the Period (HK\$'000)
		30 June 2018 (HK\$'000)	31 December 2017 (HK\$'000)	30 June 2018 ('000)	31 December 2017 ('000)	30 June 2018	30 June 2018			
Significant investments										
Town Health International Medical Group Limited (stock code: 3886)	Healthcare business investments; provision and management of medical, dental and other healthcare related services; investments and trading in properties and securities	318,488	318,960	674,762	674,762	8.97%	17.69%	-	-	(472)
Other investments										
Other listed shares in Hong Kong*										
(i) Kingston Financial Group Limited (stock code:1031)	Financial services including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory, futures brokerage and asset management services	27,167	219,765	12,128	29,302	0.09%	1.51%	-	(67,263)	(63,793)
(ii) Others		95,858	178,567					2,777	3,731	(21,208)
Listed shares outside Hong Kong		-	36,540					33	(7,224)	-
Unlisted investment funds		250	11,901					17	105	(7)
Grand total		441,763	765,733					2,827	(70,651)	(85,480)

* Other listed shares in Hong Kong mainly represented the Group's investments in 36 companies whose shares are listed on the Main Board and GEM of the Stock Exchange. Each of the investments has a carrying amount that accounted for not more than 5% of the Group's unaudited total assets as at 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The fair value changes of listed securities investments during the Period of approximately HK\$156,131,000 mainly comprised unrealised loss of approximately HK\$67,263,000 and realised loss of approximately HK\$63,793,000 on shares of Kingston Financial Group Limited (“Kingston”) respectively. Such unrealised loss is attributable to the decrease in the share price of Kingston from the closing price of HK\$7.50 (as at 31 December 2017) to HK\$2.24 (as at 30 June 2018) for the remaining 12,128,000 shares of Kingston held by the Group as at 30 June 2018. During the Period, the Group disposed of 17,174,000 shares of Kingston and recognised a realised loss of approximately HK\$67,263,000.

Financial assets at fair value through other comprehensive income (as at 31 December 2017: available-for-sale investments)

Description of investments	Brief description of the business	Market value of investments as at		Number of shares held as at		Approximate percentage of shareholding in the investee as at 30 June 2018	Approximate percentage of the Group's unaudited net assets as at 30 June 2018	Dividends or fund returns received during the Period	Interest income during the Period	Gain (loss) on disposal during the Period	Fair value changes recognised through other comprehensive income during the Period
		30 June 2018 (HK\$'000)	31 December 2017 (HK\$'000)	30 June 2018 ('000)	31 December 2017 ('000)						
China Green (Holdings) Limited (stock code: 904)	Growing, processing and sales of agricultural products, and production and sales of consumer food products	10,216	13,325	444,168	444,168	6.40%	0.57%	-	-	-	(3,109)
Unlisted investment funds [#]		328,836	313,017					-	-	12	-
Bond investments [*]		291,080	-					-	4,156	(732)	(3,069)
Grand total		630,132	326,342					-	4,156	(720)	(6,178)

[#] The unlisted investment funds comprise 10 different private funds. The business/ investment sector of the unlisted investment funds relates to various industries including, but not limited to, investments in listed companies in Hong Kong, Shanghai, Shenzhen, Singapore, Taiwan, London and New York; companies in consumer goods, retail, medical service, social media, healthcare sectors and internet-related and mobile-application-related industries; and low-risk investment grade bonds worldwide other than those in the Asia bond market.

MANAGEMENT DISCUSSION AND ANALYSIS

- * The bond investments comprise 18 different bonds issued by companies listed in Hong Kong or the PRC. The business/investment sector of the bonds investments relates to various industries including, but not limited to, property development and investment in Hong Kong and the PRC, manufacturing and sales of aluminum products, corporate financing, corporate financial advisory, securities trading, commodity and futures trading, asset management and wealth management, etc.

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

The Directors would like to provide additional information on the Group's significant investments under financial assets at fair value through profit or loss as follows:

Town Health International Medical Group Limited

As at 30 June 2018, the Group held 674,762,000 shares of Town Health International Medical Group Limited ("Town Health"), which represented approximately 8.97% of the issued shares of Town Health as at 30 June 2018; and the aggregate carrying amount of such investment was approximately HK\$318.5 million, representing approximately 16.77% of the Group's unaudited total assets as at 30 June 2018 and approximately 17.69% of the Group's unaudited net assets as at 30 June 2018.

During the Period, no dividend was received by the Group from Town Health and the Group recorded a fair value loss of approximately HK\$472,000 for its investment in Town Health.

With regards to the future prospects of Town Health based on published information as disclosed in the annual report of Town Health for the year ended 31 December 2017 (the "TH Annual Report 2017"), the Directors noted that Town Health will further consolidate the healthcare service business in Hong Kong and simultaneously accelerate the expansion of the healthcare market in the PRC. As the PRC government deepens the reform of healthcare system and citizens' health awareness gradually improves, Town Health is optimistic to the great expansion potential of the healthcare industry in the PRC. To meet with the needs of healthcare of the public in Hong Kong and the PRC, Town Health will exert its healthcare operation management advantages and focus on the development of the healthcare service business so as to introduce the mature and efficient Hong Kong-style service processes and standards to the PRC and become the benchmark in healthcare industry.

MANAGEMENT DISCUSSION AND ANALYSIS

It is also noted that the trading of shares of Town Health has been suspended since 27 November 2017 as it appears to the Securities and Futures Commission that Town Health's interim report for the six months ended 30 June 2016 published by Town Health on 7 September 2016 and the Town Health's annual report for the year ended 31 December 2016 published by Town Health on 27 April 2017 included materially false, incomplete or misleading information.

As disclosed in the announcement of Town Health dated 18 December 2017 and TH Annual Report 2017, the board of directors of Town Health has established an independent board committee to conduct an independent investigation on the issues and matters arising from or relating to the trading suspension, to make recommendations to the board of directors of Town Health on appropriate actions to be taken, and to work towards the goal of having the shares of Town Health resumed in trading on the Stock Exchange.

Town Health is proactively seeking external legal advice with regard to the resumption of trading in the shares of Town Health on the Stock Exchange.

General analysis of the Group's financial assets at fair value through profit or loss

The Directors expect that the stock market in Hong Kong will continue to be volatile in the second half of 2018 and such investment environment may affect the value of equity investments listed in Hong Kong under both financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income of the Group. The Group will closely monitor the market prices of these shares and trading of these shares will continue in order to optimise return. To diversify risks, the Group will adjust its current investments portfolio from time to time according to market changes and may consider acquiring shares in other listed companies when opportunity arises.

New Company Name for Re-branding

In May 2018, the name of Company was officially changed from Jun Yang Financial Holdings Limited to Power Financial Group Limited. The change of name is a part of a re-branding exercise of the Company in an attempt to enlarge its service offerings to cover merger and acquisitions, asset management, margin and IPO financing. The new name will better reflect the Group's enlarging and strengthening business which will benefit the Group's future business development.

MANAGEMENT DISCUSSION AND ANALYSIS

Responding to an Equity Acquisition

On 17 November 2017, Jicheng Investment Limited (the “Offeror”) proposed to the Board that it would make a pre-conditional voluntary securities exchange partial offer and option offer to acquire 1,593,874,096 issued shares in the share capital of the Company and to cancel a maximum of 116,886,645 outstanding share options granted by the Company (the “Offers”).

On 27 June 2018, the Offeror made an announcement in relation to the update on the Offers, stating that the pre-conditions to the Offers has been fulfilled. The Offeror despatched the offer document to the independent shareholders and the holders of the share options of the Company on 4 July 2018. As stated in the response document of the Company dated 18 July 2018, the independent board committee of the Board considered that the terms of the Offers are NOT fair and reasonable so far as the independent shareholders and the holders of the share options of the Company are concerned and recommend (i) the independent shareholders of the Company NOT to APPROVE the partial offer and (ii) the independent shareholders and the holders of the share options of the Company NOT to ACCEPT the partial offer and the option offer respectively.

BUSINESS OUTLOOK

Hong Kong’s dependence on trade makes it vulnerable to escalating Sino-US trade war and potential knock-on effects to the external sector. Moreover, monetary policy normalisation in the United States of America will continue to tighten domestic financial conditions and provoke capital outflows. The local economy is likely shifted into a lower gear in the second half of 2018 and the Hang Seng Index will have a tight trading range.

Despite this, Hong Kong still topped global rankings in terms of initial public offering volumes in the first half of 2018. There were 108 new listed companies, representing a 50% increase compared with 72 on the same period last year. The market generally anticipates technology listings that are in the works in the six months ahead are expected to give markets a boost. Also, it is believed that the Bond Connect is another major breakthrough in the development of the China bond market, which is the world’s third largest. Eligible overseas investors can access, for the first time, the Mainland interbank bond market through infrastructural connection established between the Mainland and overseas bond markets. It can be expected that Hong Kong is going to have a more important role in fixed income.

MANAGEMENT DISCUSSION AND ANALYSIS

To deal with uncertainties brought by the aforementioned factors, the Group plans to increase its investment portfolio by increasing long-term investments further to reduce short-term investment risks, diversifying its investments to invest in fixed income products in order to generate more stable and continuing income.

As providing financial services remains the Group's core business, we strive to extend our service offerings beyond retail clients to professional investors, in a view to driving revenue growth and business diversification. We have outlined plans to expand the securities operation targeting professional investors trading Hong Kong shares, as well as to develop a small team in corporate finance focuses on transaction execution, to ensure consistent, high quality due diligence is undertaken, and that all transactions are executed in accordance with quality standards. We believe that all these efforts will enhance our overall professional capability.

The Hong Kong IPO market for second half of 2018 is looking promising. PwC Hong Kong predicted that there would be a total of 220 IPOs in 2018, with an estimated total funds to be raised between HK\$200 to 250 billion. That level of activity will not only set a new record on the number of IPO cases, but also increase the possibility of Hong Kong reclaiming its top spot in the market with the most funds raised globally. The recent agreement between the Hong Kong Stock Exchange and China's National Equities Exchange and Quotations (NEEQ), which opens the door for NEEQ-listed firms to float in Hong Kong under a dual-listing model. The initiative will establish a more open and multi-layered capital markets and promote mutual access between the financial markets of the Mainland and Hong Kong. Taking advantage of Hong Kong's active and prosperous IPO market, we will continue to search for pre-IPO investments and opportunities in undervalued and special situations, so to capture the lucrative return after their IPOs.

Besides, we will expand money lending business mostly backed by first charge mortgages. The Group continues to inject internal resources to enlarge margin financing business with a diversified approach in a proactive and prudent manner to build a high-quality and value-creating portfolio, providing margin facilities to qualified clients.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group held bank balances and cash of approximately HK\$467,339,000 (31 December 2017: approximately HK\$863,552,000). Net current assets amounted to approximately HK\$1,263,907,000 (31 December 2017: approximately HK\$1,627,134,000). Current ratio (defined as total current assets divided by total current liabilities) was 21.71 times (31 December 2017: 13.63 times).

The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 5.18% (31 December 2017: 7.62%).

As at 30 June 2018, the Group had outstanding borrowings of approximately HK\$74,300,000 (31 December 2017: approximately HK\$137,400,000). The borrowings are unsecured and carry interest at 7% to 8% (31 December 2017: 7% to 8%) per annum and repayable in accordance with the relevant loan note certificates. As the Group's bank balances and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, risk in exchange rate fluctuation would not be material.

CAPITAL STRUCTURE

As at 30 June 2018, the Group had shareholders' equity of approximately HK\$30,864,000 (31 December 2017: approximately HK\$30,864,000).

CHARGES ON GROUP ASSETS

As at 30 June 2018, assets of the Group were not charged to any parties (31 December 2017: held-for-trading investments with carrying amounts of approximately HK\$18,270,000 have been pledged as security for the Group's margin payable in respect of its securities trading accounts).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group employed 33 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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in the shares of the Company

Name of Director	Capacity	Number of shares of the Company	Approximate % of the issued share capital of the Company as at 30 June 2018
Mr. Choi Chun Chung, Danny	Beneficial owner	822,480,000	26.65%

Save as disclosed above, as at 30 June 2018, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SHARE OPTIONS

(a) 2003 Share Option Scheme

The share option scheme adopted by the Company on 17 November 2003 (the “2003 Share Option Scheme”), for the primary purpose of providing incentives to Directors and employees. Under the 2003 Share Option Scheme, the Company may grant options to eligible persons, including Directors and directors of the subsidiaries of the Company, to subscribe for shares of the Company.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 4 June 2013, the Company terminated the 2003 Share Option Scheme. The share options granted under the 2003 Share Option Scheme prior to its termination shall continue to be valid and exercisable in accordance with the terms of the 2003 Share Option Scheme.

Details of the share options granted by the Company under the 2003 Share Option Scheme to the employees of the Company and the movements in such holdings during the six months ended 30 June 2018 were as follows:

Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				Outstanding as at 30 June 2018
			Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	
18/4/2008	18/4/2008 to 17/4/2018	162.80	10,591	–	–	(10,591)	–
Total:			10,591	–	–	(10,591)	–

OTHER INFORMATION

SHARE OPTIONS (Continued)

(b) 2013 Share Option Scheme

A new share option scheme was approved and adopted by the shareholders of the Company at the annual general meeting of the Company held on 4 June 2013 (the “2013 Share Option Scheme”), for the primary purpose of providing incentives to Directors and employees. Under the 2013 Share Option Scheme, the Company may grant options to eligible persons, including Directors and directors of the subsidiaries of the Company, to subscribe for shares of the Company.

Details of the share options granted by the Company under the 2013 Share Option Scheme to the eligible participants of the Group and the movements in such holdings during the six months ended 30 June 2018 were as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				Outstanding as at 30 June 2018
				Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	
Directors of an associate company	10/4/2017	10/4/2017 to 9/4/2019	0.142	38,860,000	-	-	-	38,860,000
Total:				38,860,000	-	-	-	38,860,000

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS

So far as is known to any Director or chief executive of the Company, as at 30 June 2018, the following shareholder (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions in the shares of the Company

Name of shareholder	Capacity	Number of shares of the Company	Approximate % of the issued share capital of the Company as at 30 June 2018
China Mobile Games and Entertainment Group LTD.	Beneficial owner	176,994,000 (Note 1)	5.73% (Note 2)

Notes:

- (1) The number of shares held by the shareholder have been adjusted as a result of the capital reorganisation (the "Capital Reorganisation") approved by the shareholders of the Company at the special general meeting of the Company held on 5 April 2016 which involved, among other steps, (i) the share consolidation of 10 pre-consolidated shares into 1 share of HK\$0.10 and (ii) the reduction of the share capital of the Company whereby the par value of each of the then issued consolidated shares of HK\$0.10 each was reduced from HK\$0.10 to HK\$0.01 each by cancelling the paid-up capital of the Company to the extent of HK\$0.09 on each of the then issued consolidated share and thereby creating the shares and the Capital Reorganisation became effective on 6 April 2016.
- (2) The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at 30 June 2018.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS (Continued)

Save as disclosed above, as at 30 June 2018, there was no other person (other than the Directors or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

CORPORATE GOVERNANCE

The Company endeavours in maintaining good corporate governance for the enhancement of shareholders' value. The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive Directors, namely Mr. Chu Hau Lim (the chairman of the audit committee), Mr. Wong Kun To and Ms. Lim Xue Ling, Charlene. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2018.

OTHER INFORMATION

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Name of Director	Details of Changes
Mr. Chu Hau Lim	– resigned as the company secretary of Ta Yang Group Holdings Limited (stock code: 1991), a company listed on the Stock Exchange, with effect from 19 July 2018.

By order of the Board
Power Financial Group Limited
Choi Chun Chung, Danny
Chairman

Hong Kong, 28 August 2018