



**Power Financial Group Limited**

**權威金融集團有限公司**

(Incorporated in Bermuda with limited liability)

(Stock code:397)

# 2019 Interim Report



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors*

Mr. Choi Chun Chung, Danny  
(Chairman and Chief Executive Officer)  
Mr. Sit Sai Hung, Billy

### *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

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 3910–13, 39/F  
COSCO Tower  
183 Queen's Road Central  
Hong Kong

## PRINCIPAL BANKERS

Dah Sing Bank Limited  
Hang Seng Bank Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th floor North Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## WEBSITE

[www.powerfinancial.com.hk](http://www.powerfinancial.com.hk)



# FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2019:

- The Group recorded revenue of approximately HK\$41,180,000 (six months ended 30 June 2018: HK\$10,393,000).
- Profit attributable to owners of the Company amounted to approximately HK\$2,957,000 (six months ended 30 June 2018: loss of approximately HK\$202,559,000). The turnaround from loss to profit attributable to owners of the Company was mainly due to was principally to (i) a substantial increase in turnover, in particular, in the money lending business segment of the Group; and (ii) a significant decrease in loss arising on fair value changes on securities investments (comprising both realised losses and unrealised losses) to approximately HK\$2,266,000 (six months ended 30 June 2018: approximately HK\$156,131,000).
- The Board does not recommend the payment of an interim dividend.

At 30 June 2019:

- The Group held financial assets at fair value through other comprehensive income of approximately HK\$544,065,000 (31 December 2018: HK\$516,070,000).
- The Group held financial assets at fair value through profit or loss of approximately HK\$231,679,000 (31 December 2018: HK\$248,004,000).
- The Group held bank balances and cash of approximately HK\$144,129,000 (31 December 2018: HK\$224,543,000), loans and interest receivables of approximately HK\$472,222,000 (31 December 2018: HK\$404,849,000) respectively.
- Net current assets amounted to approximately HK\$938,521,000 (31 December 2018: HK\$1,037,949,000). Current ratio (defined as total current assets divided by total current liabilities) was 6.39 times (31 December 2018: 17.85 times).
- Net assets amounted to approximately HK\$1,468,130,000 (31 December 2018: HK\$1,445,390,000).
- The Group had borrowings of approximately HK\$26,800,000 (31 December 2018: HK\$37,400,000).



## INTERIM FINANCIAL INFORMATION

The board (the “Board”) of directors (the “Directors”) of Power Financial Group Limited (the “Company”) presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019 together with the unaudited comparative figures for the corresponding period in 2018.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Revenue</b>	3	<b>41,180</b>	10,393
Direct operating costs		(6,536)	(4,011)
<b>Gross profit</b>		<b>34,644</b>	6,382
Other income, gains and losses	5	(503)	(153,188)
Administrative expenses		(28,327)	(31,730)
Share of results of associates		(122)	(18,432)
Finance costs	6	(1,519)	(5,314)
Profit (loss) before tax	7	4,173	(202,282)
Income tax expense	8	(1,230)	(316)
<b>Profit (loss) for the period</b>		<b>2,943</b>	(202,598)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
	Notes	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Other comprehensive income (expense) for the period</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising from translation of foreign operations		–	(343)
Share of other comprehensive income (expense) of associates		1,408	(1,491)
Fair value changes of debt instruments at fair value through other comprehensive income		7,701	(3,069)
<b>Item that will not be reclassified to profit or loss:</b>			
Fair value changes of equity instruments at fair value through other comprehensive income		10,396	(3,109)
Other comprehensive income (expense) for the period, net of income tax		19,505	(8,012)
<b>Total comprehensive income (expense) for the period</b>		22,448	(210,610)
<b>Profit (loss) for the period attributable to:</b>			
– Owners of the Company		2,957	(202,559)
– Non-controlling interests		(14)	(39)
		2,943	(202,598)
<b>Total comprehensive income (expense) for the period attributable to:</b>			
– Owners of the Company		22,462	(210,571)
– Non-controlling interests		(14)	(39)
		22,448	(210,610)
<b>Earnings (loss) per share</b>			
– Basic and diluted (HK cents)	10	0.11	(6.56)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

		At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		57,217	58,924
Right-of-use asset		5,498	—
Goodwill		808	808
Interests in associates		1,741	455
Loans and interest receivables	11	267	1,357
Financial assets at fair value through profit or loss		19,555	26,269
Debt instruments at fair value through other comprehensive income		302,225	184,181
Equity instruments at fair value through other comprehensive income		144,059	172,692
Other assets		155	155
		<b>531,525</b>	<b>444,841</b>
<b>Current assets</b>			
Loans and interest receivables	11	471,955	403,492
Amounts due from associates		47	—
Trade and other receivables	12	87,361	39,051
Tax recoverable		862	2,092
Debt instruments at fair value through other comprehensive income		97,781	159,197
Financial assets at fair value through profit or loss		212,124	221,735
Bank trust account balances		98,522	49,439
Bank balances and cash		144,129	224,543
		<b>1,112,781</b>	<b>1,099,549</b>



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and other payables	13	143,821	61,600
Lease liability		3,639	–
Borrowings		26,800	–
		<b>174,260</b>	<b>61,600</b>
<b>Net current assets</b>		<b>938,521</b>	<b>1,037,949</b>
<b>Total assets less current liabilities</b>		<b>1,470,046</b>	<b>1,482,790</b>
<b>Non-current liabilities</b>			
Lease liability		1,916	–
Borrowings		–	37,400
		<b>1,916</b>	<b>37,400</b>
<b>Net assets</b>		<b>1,468,130</b>	<b>1,445,390</b>
<b>Capital and reserves</b>			
Share capital		27,836	27,836
Reserves		1,438,845	1,416,091
<b>Equity attributable to owners of the Company</b>		<b>1,466,681</b>	<b>1,443,927</b>
Non-controlling interests		1,449	1,463
<b>Total equity</b>		<b>1,468,130</b>	<b>1,445,390</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 reserve	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 2018 (Audited)	30,864	3,840,617	861	494,907	3,618	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 non-controlling interests	-	-	-	-	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)	1,799,005	1,468	1,800,473
At 1 January 2019 (Audited)	27,836	3,800,250	861	494,907	(4,270)	(216)	(209,473)	2,370	(2,668,338)	1,443,927	1,463	1,445,390
Profit (loss) for the period	-	-	-	-	-	-	-	-	2,957	2,957	(14)	2,943
Other comprehensive income for the period	-	-	-	-	1,408	-	18,097	-	-	19,505	-	19,505
Total comprehensive income (expense) for the period	-	-	-	-	1,408	-	18,097	-	2,957	22,462	(14)	22,448
Transfer of loss on disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	24,932	-	(24,932)	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	292	-	292	-	292
Lapse of share options	-	-	-	-	-	-	-	(2,370)	2,370	-	-	-
At 30 June 2019 (Unaudited)	27,836	3,800,250	861	494,907	(2,862)	(216)	(166,444)	292	(2,687,943)	1,466,681	1,449	1,468,130

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Operating activities</b>		
Net cash used in operating activities	(74,562)	(303,307)
<b>Investing activities</b>		
Interest received	433	566
Purchase of property, plant and equipment	(601)	(5,654)
Purchase of investment funds	(6,783)	(16,120)
Proceeds from disposal of investment funds	14,991	313
Increase in amounts due from associates	(47)	(127)
Net cash generated from (used in) investing activities	7,993	(21,022)
<b>Financing activities</b>		
Interest paid	(1,519)	(5,314)
Acquisition of non-controlling interests	–	(3,126)
Repayment of loan notes	(10,600)	(63,100)
Payment of a lease liability	(1,726)	–
Net cash used in financing activities	(13,845)	(71,540)
<b>Net decrease in cash and cash equivalents</b>	<b>(80,414)</b>	<b>(395,869)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>224,543</b>	<b>863,552</b>
Effect of foreign exchange rate changes	–	(344)
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>	<b>144,129</b>	<b>467,339</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

These condensed consolidated interim financial information have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). These condensed consolidated interim financial information were authorised for issue on 22 August 2019.

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 2018 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 2018 annual financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated interim financial information have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations issued by the HKICPA mandatory for the annual periods beginning on 1 January 2019. The effect of the adoption of these standards, amendments and interpretation is not material on these condensed consolidated interim financial information except for the effects as described in our 2018 annual financial statements. Accordingly, no prior period adjustment has been recognised.

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 2018 annual financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Annual Improvements to HKFRSs 2015–2017 Cycle, Amendments to HKFRS 3, Business Combinations
- Annual Improvements to HKFRSs 2015–2017 Cycle, Amendments to HKAS 12, Income Taxes
- Annual Improvements to HKFRSs 2015–2017 Cycle, Amendments to HKAS 23, Borrowing Costs

The adoption of these new or amendments to HKFRSs does not have any significant financial effect on the Group's condensed consolidated interim financial information, except for the adoption of HKFRS 16 Leases.

### HKFRS 16 Leases

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. HKFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying asset and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### HKFRS 16 Leases (Continued)

#### *Definition of a lease*

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC)-Int 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

#### **As a lessee**

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for their leases, i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment”, the same line item as it presents underlying assets of the same nature that it owns. The Group also presents lease liabilities in the consolidated statement of financial position.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **As a lessee (Continued)**

#### ***Significant accounting policies***

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **As a lessee (Continued)**

#### ***Transition***

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### As a lessee (Continued)

#### ***Impacts on condensed consolidated interim financial information***

##### *i. Impacts on transition*

On adoption of HKFRS 16, the Group recognised a lease liability in relation to lease which had previously been classified as ‘operating lease’ under the principles of HKAS 17 Leases. This liability was measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the lease liability on 1 January 2019 was 7%.

	HK\$'000
Operating lease commitment disclosed as at 31 December 2018	7,824
Lease liability recognised as at 1 January 2019, discounted using the incremental borrowing rate	7,281
Of which are:	
Current lease liability	3,514
Non-current lease liability	3,767
	7,281

The associated right-of-use asset for property lease was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **As a lessee (Continued)**

#### ***Impacts on condensed consolidated interim financial information (Continued)***

##### *ii. Impacts for the period*

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised a right-of-use asset of approximately HK\$5,498,000 and lease liability of approximately HK\$5,555,000 respectively as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation charges and finance costs, instead of operating lease payments. During the six months ended 30 June 2019, the Group recognised depreciation charges of approximately HK\$1,783,000 and finance costs of approximately HK\$230,000 respectively from these leases.

For the impact of HKFRS 16 on segment information and profit or loss before tax, see Notes 4 and 7 respectively.

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

# NOTES TO THE 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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest income from money lending	23,884	3,793
Interest income from bond investments	13,326	4,156
Income from financial services		
– Commission income from securities brokerage	1,331	435
– Commission income from placing and underwriting	–	62
– Corporate finance advisory services	–	238
– Interest income from clients	2,639	1,709
	<b>41,180</b>	<b>10,393</b>

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Income from financial services		
– Commission income from securities brokerage	1,331	435
– Commission income from placing and underwriting	–	62
– Corporate finance advisory services	–	238
	<b>1,331</b>	<b>735</b>

# 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, and corporate finance advisory services 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 equity 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 2019*

	Financial services segment (Unaudited) HK\$'000	Money lending segment (Unaudited) HK\$'000	Assets investment segment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Revenue</b>				
– Revenue from external customers	3,970	23,884	13,326	41,180
<b>Other income, gains and losses</b>				
– Dividend income from listed equity securities and unlisted investment funds	–	–	–	–
– Fair value changes of listed equity securities	–	–	(2,266)	(2,266)
	3,970	23,884	11,060	38,914
<b>Results</b>				
Segment results	(8,961)	16,696	(198)	7,537
Unallocated corporate income				433
Unallocated corporate expenses				(2,156)
Finance costs				(1,519)
Share of results of associates				(122)
Profit before tax				4,173



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

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
<b>Revenue</b>				
– Revenue from external customers	2,444	3,793	4,156	10,393
<b>Other income, gains and losses</b>				
– Dividend income from listed equity securities and unlisted investment funds	–	–	2,827	2,827
– Fair value changes of listed equity securities	–	–	(156,131)	(156,131)
	2,444	3,793	(149,148)	(142,911)
<b>Results</b>				
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)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit (loss) from each segment without allocation of certain directors' emoluments, certain other income, gains and losses and certain administrative expenses, 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 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
<b>Segment assets</b>		
Financial services segment	156,608	89,687
Money lending segment	471,638	404,297
Assets investment segment	862,035	916,847
Total segment assets	1,490,281	1,410,831
Unallocated		
– Bank balances and cash	142,012	127,138
– Other unallocated assets	12,013	6,421
Consolidated total assets	1,644,306	1,544,390
<b>Segment liabilities</b>		
Financial services segment	128,568	51,937
Money lending segment	856	818
Assets investment segment	40,909	8,417
Total segment liabilities	170,333	61,172
Unallocated	5,843	37,828
Consolidated total liabilities	176,176	99,000

# 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 right-of-use asset, 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 lease liability and borrowings not allocated to segment liabilities.

### Geographic information

The Group's revenue from continuing operations 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

There was no customer that contributed to 10% or more of the Group's revenue for the six months ended 30 June 2019. For the six months ended 30 June 2018, 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	
	2019 (Unaudited) HK\$'000	2018 (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 for the six months ended 30 June 2019.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest income	433	566
Sundry income	1	13
Dividend income from equity instruments at fair value through profit or loss ("FVTPL")	—	2,827
Fair value changes of debt instruments at FVTPL	800	—
Fair value changes of equity instruments at FVTPL	(2,266)	(156,131)
Gain on disposal of property, plant and equipment	—	269
Gain (loss) on disposal of debt instruments at fair value through other comprehensive income ("FVOCI")	219	(732)
Gain on disposal of debt instruments at FVTPL	310	—
	(503)	(153,188)

## 6. FINANCE COSTS

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest on other borrowings	—	5
Interest on lease liability	230	—
Interest on loan notes	1,289	5,309
	1,519	5,314

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7. PROFIT (LOSS) BEFORE TAX

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	2,308	1,843
Depreciation for right-of-use asset	1,783	–
Operating lease payments in respect of land and buildings	–	1,604
Exchange gains, net	(499)	(100)
Impairment loss on trade receivables	1,296	1,206
Reversal of impairment loss on trade receivables	(9)	(9)

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current tax:		
– Hong Kong Profits Tax	1,230	316
Tax expense for the period	1,230	316

Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of estimated assessable profits and at 16.5% on the portion of the estimated assessable profits above HK\$2,000,000 for the six months ended 30 June 2019. Hong Kong Profits Tax is calculated at 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 2019 (six months ended 30 June 2018: Nil).

## 10. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit (loss) attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	2,957	(202,559)

	Six months ended 30 June	
	2019 (Unaudited) '000	2018 (Unaudited) '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	2,783,553	3,086,373

Diluted earnings (loss) per share equals basic earnings (loss) per share as there was no dilutive potential ordinary share in existence during the six months ended 30 June 2019 (six months ended 30 June 2018: the exercise of the outstanding share options would be anti-dilutive).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11. LOANS AND INTEREST RECEIVABLES

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Fixed-rate loan receivables	467,352	402,207
Accrued interest receivables	4,870	2,642
	<b>472,222</b>	<b>404,849</b>
Analysed for reporting purpose as:		
Current assets	471,955	403,492
Non-current assets	267	1,357
	<b>472,222</b>	<b>404,849</b>

As at 30 June 2019, loans and interest receivables of approximately HK\$448,022,000 (31 December 2018: HK\$359,668,000) were secured by assets under legal charges and approximately HK\$24,064,000 (31 December 2018: HK\$45,181,000) were guaranteed by certain independent third parties respectively, while remaining loans and interest receivables of approximately HK\$136,000 (31 December 2018: Nil) were unsecured. The interest rates on all loans receivables are fixed ranging from 7% to 24% (31 December 2018: 7% to 21.2%) per annum and loans receivables are due within 1 to 52 months (31 December 2018: 1 to 58 months).

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 loans and interest receivable are not materially different from their carrying amounts.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11. LOANS AND INTEREST RECEIVABLES (Continued)

A maturity profile of the loans and interest receivables based on the maturity date at the end of reporting period is as follows:

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Within 1 year	471,955	403,492
1 to 5 years	267	1,357
	<b>472,222</b>	<b>404,849</b>

Included in loans and interest receivables with the following ageing analysis, based on due dates, as of the end of reporting period:

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Current	470,437	404,560
Less than 1 month past due	1,026	248
1 to 3 months past due	669	41
3 to 6 months past due	90	–
	<b>472,222</b>	<b>404,849</b>

The management of the Company believes that the impairment allowance is immaterial in respect of loans and interest receivables as approximately 94.88% (31 December 2018: 88.84%) of loans and interest receivables were fully secured by collaterals.

As at 30 June 2019 and 31 December 2018, the collaterals for those secured loans are landed properties in Hong Kong and shares of certain listed companies.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Trade receivables from:		
Financial services operation		
– Cash clients ( <i>Note (a)</i> )	428	1,443
– Margin clients ( <i>Note (b)</i> )	59,260	65,619
– Clearing house ( <i>Note (a)</i> )	27,953	279
Less: provision for impairment loss on trade receivables	(33,962)	(32,675)
	53,679	34,666
Other receivables and prepayments	33,682	4,385
Total trade and other receivables	87,361	39,051

### 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.

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

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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

The movements in the impairment of the advance to customers in cash client financing are as follows:

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
At the beginning of the period/year	279	297
Recovery of impairment loss previously recognised	(9)	(18)
At the end of the period/year	270	279

- (b) Margin clients are required to pledge securities as collaterals to the Group in order to obtain the credit facilities for securities trading and bear interests at commercial rates. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. The margin ratio is reviewed and determined periodically. As at 30 June 2019, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK\$111,709,000 (31 December 2018: HK\$164,681,000).

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

The movements in the impairment of the advance to customers in margin financing are as follows:

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
At the beginning of the period/year	32,396	29,904
Impairment recognised	1,296	2,492
At the end of the period/year	33,692	32,396



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13. TRADE AND OTHER PAYABLES

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Trade payables from:		
Financial services operation		
– Cash clients ( <i>Note (a) and (b)</i> )	5,520	7,824
– Margin clients ( <i>Note (a) and (b)</i> )	120,427	41,005
– Clearing house ( <i>Note (a) and (b)</i> )	–	646
	125,947	49,475
Other payables and accruals	17,874	12,125
Total trade and other payables	143,821	61,600

### Notes:

- 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.
- 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.
- 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Within one year	–	3,912
In the second to fifth years inclusive	–	3,912
	–	7,824

Upon application of HKFRS 16 from 1 January 2019, a right-of-use asset and a corresponding lease liability in respect of the non-cancellable operating lease were recognised, and thus there was no operating lease commitment as at 30 June 2019.

As at 31 December 2018, lease was negotiated and rental was fixed for a term of 3 years.

## 15. CAPITAL COMMITMENT

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

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Commitment contracted for but not provided for in respect of investment in investment funds which will be recognised as equity instruments at FVOCI	8,318	15,194

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000		
<b>Financial assets</b>				
Equity securities listed in Hong Kong classified as financial assets at FVTPL	16,412	26,739	Level 1	Quoted bid prices
Equity securities listed in Hong Kong, the trading of which on the Stock Exchange were suspended and classified as financial assets at FVTPL	1,817	16,994	Level 3	Index return method
	193,895	178,002	Level 3	Guideline public company method
Unlisted investment funds classified as equity instruments at FVOCI	144,059	172,692	Level 2	Net asset values provided by fund administrators
Listed bond investments classified as debt instruments at FVTPL	19,555	26,269	Level 1	Broker's quoted prices
Listed bond investments classified as debt instruments at FVOCI	400,006	343,378	Level 1	Quoted bid prices

There were no transfers between the different levels of the fair value hierarchy for the six months ended 30 June 2019 and the year ended 31 December 2018.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17. 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 “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 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 Placees alleged in the HC Action. The Plaintiffs, amongst other things, seek an order against Classictime that the allotment of shares to Classictime be set aside, together with damages, interests, costs, and further and/or other relief. As at the date of this report, pleadings have not closed yet.

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17. CONTINGENT LIABILITIES (Continued)

### (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 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 HC Action.

### (iii) Counterclaim made by 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 Enterprises Limited ("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 Mr. Sit Sai Hung Billy ("Mr. Sit") 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. The counterclaim by Best Year against Power Securities and Mr. Sit was stayed accordingly. On the same date, 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. As at the date of this report, the striking out application for Mr. Sin's counterclaim is yet to be decided by the Court.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17. CONTINGENT LIABILITIES (Continued)

### (iv) Another 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, 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.

In light of the Winding-up Order, 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. As at the date of this report, the striking out application for Mr. Sin’s claim is yet to be decided by the Court.

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

## 18. COMPARATIVE FIGURES

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

For the six months ended 30 June 2019 (the “2019 Interim Period”), the Group recorded revenue of approximately HK\$41,180,000, representing a significant increase of approximately 3 times as compared with that of approximately HK\$10,393,000 for the six months ended 30 June 2018 (the “2018 Interim Period”). During the 2019 Interim Period, the Group recorded a profit attributable to owners of Company of approximately HK\$2,957,000 as opposed to a loss attributable to owners of Company of approximately HK\$202,559,000 for the 2018 Interim Period.

Thanks to the facts that more stable and fixed interest income from more matured and diversified bond and loan portfolio with higher effective interest rate from money lending business, the overall revenue improved significantly. The turnaround from loss to profit attributable to owners of the Company was principally to (i) a substantial increase in turnover, in particular, in the money lending business segment of the Group, during the 2019 Interim Period; and (ii) a significant decrease in loss arising on fair value changes on securities investments (comprising both realised losses and unrealised losses) from approximately HK\$156,131,000 for the 2018 Interim Period to approximately HK\$2,266,000 for the 2019 Interim Period.

The Company has bank balances and cash of approximately HK\$144,129,000 (31 December 2018: HK\$224,543,000) In spite of the plain performance of the margin financing business during the 2019 Interim Period, the Group will continue to focus more on fixed income products and business to strengthen the income base.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Substantial Improvement amidst Global Financial Downturn

The US-China trade dispute casted uncertainties over the global political and economic relations, which has created a volatile economic environment globally. The financial markets instantly felt the pinch which sent the local stock market on a roller-coaster ride and soured investor sentiment. In Hong Kong, the average daily turnover in June 2019 was approximately HK\$82.4 billion, a decrease of approximately 24% from approximately HK\$107.8 billion in June 2018.

Anticipating the market turbulence in the beginning of the year, the management of the Group actively responded to such the challenge and made effort to overcome the difficulties by formulating the development strategy of “stabilizing the size, adjusting the structure and reducing the risk” for its businesses. The Group effectively established a sound risk control mechanism, strengthened the business segment with higher profitability, and widened product scope. Benefited from experienced expertise and sound reputation in the industry, together with the strong cash position, the Group has made remarkable progress by achieving a turnaround results and with significant improvement in terms of its major financial indicators. The primary businesses of the Group remained stable development overall.

### Financial services

The Group's financial services business includes securities trading, corporate finance and asset management, this segment has become the core business of the Group which generates stable cash flow since 2018. During the 2019 Interim Period, financial services business segment recorded revenue of approximately HK\$3,970,000 (the 2018 Interim Period: HK\$2,444,000) and a loss of approximately HK\$8,961,000 (the 2018 Interim Period: HK\$9,249,000). Revenue from this segment maintained a lower level because Power Securities restructured and slowed down the margin financing business since the third quarter of 2017, coupled with the fact that curbed trading activities and negative sentiment regarding the concerns over the economic outlook amid the ongoing US-China trade dispute. To respond to the market changes, the Group has reviewed and developed clear guidelines for risk management policies that ameliorate the loss. Furthermore, with the provision of high quality tailor-made investment strategies, the Group has successfully retained some high-end clients.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Money lending

During the 2019 Interim Period, the Group maintained a sizeable loan portfolio and extended the money lending business by provision of property mortgage loans (including first mortgage, second mortgage and sub-mortgage loans), share mortgage loans and guaranteed loans to individuals and corporations with good credit records in Hong Kong. The overall performance of money lending during the 2019 Interim Period was good with a significant increase in interest income from loans by approximately 5.3 times from approximately HK\$3,793,000 for the 2018 Interim Period to approximately HK\$23,884,000 for the 2019 Interim Period, which contributed positive results to the Group. Interest income has become the growth engine of the Group, amounting to approximately 58% of the total revenue, a jump from approximately 36% of that in the same period of last year. This business segment recorded a profit of approximately HK\$16,696,000 for the 2019 Interim Period as compared with that of approximately HK\$1,884,000 for the 2018 Interim Period.

## Assets investment

In respect of the assets investment business, this business segment recorded a loss of approximately HK\$198,000 during the 2019 Interim Period (the 2018 Interim Period: HK\$168,896,000). Such loss substantially decreased which is mainly due to the significant decrease in the loss arising from fair value changes of securities investments, and the significant increase in stable and fixed interest income from bond investments. The interest income from bond investments achieved a significant increase to approximately HK\$13,326,000 for the 2019 Interim Period, representing approximately 2.2 times as compared with approximately HK\$4,156,000 for the 2018 Interim Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Significant investments

As at 30 June 2019, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$231,679,000 (31 December 2018: HK\$248,004,000), including (a) equity securities of approximately HK\$212,124,000 and (b) listed bond investments of approximately HK\$19,555,000 respectively.

As at 30 June 2019, the Group's portfolio of financial assets at fair value through profit or loss comprised (a) 4 equity securities listed in Hong Kong, (b) 1 unlisted equity securities in the British Virgin Islands, and (c) 2 listed bond investments listed in Europe.

For the 4 listed equity securities, 3 of which accounted for approximately 1.70% of the Group's unaudited consolidated total assets as at 30 June 2019 and the remaining 1 accounted for approximately 11.20% of the Group's unaudited consolidated total assets as at 30 June 2019. For the 1 unlisted equity securities, which accounted for approximately 0.00% of the Group's unaudited consolidated total assets as at 30 June 2019. For the 2 listed bond investments, total of which accounted for approximately 1.19% of the Group's unaudited consolidated total assets as at 30 June 2019.

As at 30 June 2019, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK\$544,065,000 (31 December 2018: HK\$516,070,000), including (a) listed bond investments of approximately HK\$400,006,000 and (b) unlisted investment funds of approximately HK\$144,059,000 respectively.

As at 30 June 2019, the Group's portfolio of financial assets at fair value through other comprehensive income comprised (a) 7 unlisted investment funds; and (b) 38 listed bond investments in Hong Kong or Singapore. For the 7 unlisted investment funds, each of which accounted for approximately 0.00% to 2.56% of the Group's unaudited consolidated total assets as at 30 June 2019. For the 38 listed bond investments, each of which accounted for approximately 0.10% to 0.99% of the Group's unaudited consolidated total assets as at 30 June 2019.

The Directors considered that investments with a carrying amount that account for more than 5% of the Group's unaudited consolidated total assets as at 30 June 2019 as significant investments.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial assets at fair value through profit or loss

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 consolidated net assets as at		Dividends received	Interest income	Realised gain/(loss)	Unrealised gain/(loss)
		30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	during the 2019	during the 2019	during the 2019	during the 2019
		(HK\$'000)	(HK\$'000)	2019	2018	2019	2018	2019	2018	Interim Period	Interim Period	Interim Period	Interim Period
<b>Significant investments</b>													
<b>Listed securities investments in Hong Kong</b>													
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	184,143	178,002	674,762	674,762	8.97%	8.97%	12.54%	12.32%	-	-	-	6,140
<b>Other investments</b>													
Other listed and unlisted securities investments*		27,981	43,733							-	-	(195)	(8,211)
Listed bond investments		19,555	26,269							-	801	310	800
Grand total for the financial assets at fair value through profit or loss		231,679	248,004							-	801	115	(1,271)

- \* Other listed and unlisted securities investments mainly comprise (i) the Group's investments in 3 companies whose shares are listed on the Main Board of the Stock Exchange; and (ii) the Group's investment in 1 company incorporated in the British Virgin Islands.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial assets at fair value through other comprehensive income

Description of investments	Market value of investments as at	Dividends received during the 2019	Fund returns received during the 2019	Interest income during the 2019	Gain on disposal during the 2019	Fair value changes recognised through other comprehensive income during the 2019
	30 June 2019 (HK\$'000)	31 December 2018 (HK\$'000)	Interim Period (HK\$'000)	Interim Period (HK\$'000)	Interim Period (HK\$'000)	Interim Period (HK\$'000)
Unlisted investment funds <sup>#</sup>	144,069	172,692	-	5,914	-	-
Listed bond investments <sup>*</sup>	400,006	337,864	-	-	12,525	219
Grand total for the financial assets at fair value through other comprehensive income	544,065	510,556	-	5,914	12,525	219

<sup>#</sup> The unlisted investment funds comprise 7 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, agricultural, medical services, social media, and internet-related and mobile-application-related industries.

<sup>\*</sup> The listed bond investments comprise 38 different bonds issued by companies listed in Hong Kong or the People's Republic of China ("PRC"). The business/investment sector of the listed bonds investments mainly relates to various industries including, but not limited to property development and investment in Hong Kong and the PRC.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

As at 30 June 2019, 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 2019; and the aggregate carrying amount of such investment was approximately HK\$184,143,000, representing approximately 11.20% of the Group's unaudited consolidated total assets as at 30 June 2019 and approximately 12.54% of the Group's unaudited consolidated net assets as at 30 June 2019.

During the 2019 Interim Period, no dividend was received by the Group from Town Health and the Group recorded a fair value gain of approximately HK\$6,140,000 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 2018, the Directors noted that Town Health will maintain its leading position in the healthcare market of Hong Kong and step up efforts to expand its healthcare business in the PRC. With favorable policy reforms of the healthcare system by the PRC government, aging population, longer life expectancy, higher health consciousness, and increasing per capita consumption, the demand for high-quality healthcare services in the PRC has been increased. Town Health will take advantage of its healthcare brand, its operation model and its extensive management experience to develop its PRC healthcare business, aiming to become the leading corporation in healthcare industry.

As disclosed in Town Health's announcement dated 18 December 2017, the board of Town Health has established an independent board committee, comprising all the independent non-executive directors, to conduct an independent investigation into the issues and matters arising from or relating to the trading suspension, to make recommendations to its board on appropriate actions to be taken, and to work towards the goal of having the shares resumed trading on the Stock Exchange. Details of update on progress of trading in the shares of Town Health are disclosed in Town Health's announcements dated 18 December 2017, 11 July 2018, 1 August 2018, 5 November 2018, 31 January 2019, 30 April 2019 and 1 August 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

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 and financial assets at fair value through other comprehensive income**

The Directors expect that the stock market in Hong Kong will continue to be volatile in the second half of 2019 and such investment environment may affect the value of 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 supervise the market prices and trading of these equity and debt instruments 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 other potential investments when opportunity arises.

## **BUSINESS OUTLOOK**

The U.S.-China trade war has put pressure on business across the border and affected China's GDP growth and financial markets, which will make Hong Kong also vulnerable to escalating trade disputes and potential knock-on effects. Under this challenging environment, investors are cautious of the near future economic outlook and have been observing and restraining from trading activities, and the financial market was glutted with prudent investment sentiment.

Notwithstanding the low visibility of economic outlook, there is a strong belief in the coexistence of challenge and opportunity in current environment. The new listing rules and the newly introduced issuance mechanism for optimising new share and the integration of the interconnection mechanism will enhance the importance of the Hong Kong market to international investors and encourage more new companies to be listed in Hong Kong, giving new impetus to the local finance market. Moreover, PricewaterhouseCoopers predicts Hong Kong IPO market to surpass last year's total fund-raising record, that would cement Hong Kong's global IPO market ranking top 3 position, supported by a healthy pipeline of approximately 200 companies lining up for floats in the second half of 2019. Moreover, with the debut of the Guangdong-Hong Kong-Macao Greater Bay Area outline plan, the development of the securities industry is expected to undergo the two-way opening up and liberation of the capital market, this will definitely reinforce the cross-border simultaneous linkage, as well as consolidate the status of Hong Kong as an international financial center, bringing more promising opportunities. Being one of the active players in Hong Kong, we will continue to review and adjust future plans.



## MANAGEMENT DISCUSSION AND ANALYSIS

Putting it in a practical way, the Group will adopt a cautious approach to monitor the business environment closely and strengthen the competitiveness by exploring new opportunities and widening scope of service in due course and to build a talent team to provide human resources backup for the sustainable development. For the assets investment business, on one hand, the Group will continue to target for high yield bonds with short to medium term maturities that serve as a stable and fixed income base, providing monetary back-up for other business development. On the other hand, the Group will be more prudent in the allocation of resources to identify and seize appropriate securities/fund/bond investment opportunities, with an attempt to generate more returns to the Group.

Given the unclear economic prospect, it is expected that Hong Kong banks will tighten the money lending policies, which could stymie small and medium-sized enterprises' funding needs. Moreover, we expect that banks may be more conservative in provision of property mortgage loans to home-buyers, giving more rooms for non-bank money lenders for expansion of business. As money lending is one of the core business of the Group, to capture the market potential, the Group will maximise the advantages of its strong cash position and continue to seek for loan portfolio expansion opportunities under a balanced risk and return framework, taking into consideration of its liquidity position from time to time. We strive to strengthen the revenue base, improve risk management capacity and establish a sound credit management process, and achieve stable returns amidst the unstable market environment.

For the remaining months of 2019, the Group will review the markets of its respective businesses with a forward-looking perspective, adjusting the direction to cope with the changes in the market, and committing more resources to the business with sustainability potential and enhance overall operation capabilities. The Group will keep an open attitude to seek potential investment and business opportunities in many aspects for further development of the existing segments of the Group, bringing higher returns to the shareholders of the Company.



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, the Group held bank balances and cash of approximately HK\$144,129,000 (31 December 2018: HK\$224,543,000). Net current assets amounted to approximately HK\$938,521,000 (31 December 2018: HK\$1,037,949,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 6.39 times (31 December 2018: 17.85 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 10.71% (31 December 2018: 6.41%).

As at 30 June 2019, the Group had outstanding borrowings of approximately HK\$26,800,000 (31 December 2018: HK\$37,400,000). The borrowings are unsecured and carry interest at 7% (31 December 2018: 7%) per annum and repayable in accordance with the relevant loan note certificates. As the Group's bank balances and cash and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, risk in exchange rate fluctuation would not be material.

As at 30 June 2019, the Group had shareholders' equity of approximately HK\$27,836,000 (31 December 2018: HK\$27,836,000).

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, assets of the Group were not charged to any parties (31 December 2018: Nil).

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group employed 27 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training. The Group remunerates its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

## OTHER INFORMATION

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

As at 30 June 2019, 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 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	Number of share options	Total interests	Approximate % of the issued share capital of the Company as at 30 June 2019 (Note)
Mr. Choi Chun Chung, Danny	Beneficial owner	822,480,000	–	822,480,000	29.55%
Mr. Sit Sai Hung, Billy	Beneficial owner	–	27,830,000	27,830,000	1.00%

Save as disclosed above, as at 30 June 2019, 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.

*Note:* The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at 30 June 2019.

## 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.

All share options granted to the eligible persons by the Company under the 2003 Share Option Scheme have been lapsed on 17 April 2018.

#### (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.

## OTHER INFORMATION

### SHARE OPTIONS (Continued)

#### (b) 2013 Share Option Scheme (Continued)

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 2019 Interim Period 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 2019
				Outstanding as at 1 January 2019	Granted during the 2019 Interim Period	Exercised during the 2019 Interim Period	Cancelled/ lapsed during the 2019 Interim Period	
<b>Directors</b>								
Mr. Wu William Wai Leung (Note 1)	30/10/2018	3/11/2018 to 2/11/2020	0.113	10,000,000	-	-	(10,000,000)	-
		3/11/2019 to 2/11/2021	0.113	10,000,000	-	-	(10,000,000)	-
		3/11/2020 to 2/11/2022	0.113	9,000,000	-	-	(9,000,000)	-
Mr. Sit Sai Hung Billy (Note 2)	19/06/2019	19/6/2019 to 18/6/2021	0.1066	-	27,830,000	-	-	27,830,000
Sub-total				29,000,000	27,830,000	-	(29,000,000)	27,830,000
<b>Directors of an associate company</b>	10/4/2017	10/4/2017 to 9/4/2019	0.142	38,860,000	-	-	(38,860,000)	-
<b>Employee (Note 2)</b>	19/06/2019	19/6/2019 to 18/6/2021	0.1066	-	27,830,000	-	-	27,830,000
<b>Total</b>				67,860,000	55,660,000	-	(67,860,000)	55,660,000

## OTHER INFORMATION

### SHARE OPTIONS (Continued)

#### (b) 2013 Share Option Scheme (Continued)

*Notes:*

- (1) Mr. Wu William Wai Leung resigned as an executive Director with effect from 2 January 2019.
- (2) The closing price of the shares of the Company on the business day immediately preceding the date of grant on 19 June 2019 were HK\$0.109 per share.

The fair value of the share options granted on 19 June 2019 determined pursuant to the Binomial Option Pricing Model was HK\$2,643,000. The inputs into the model included share price on the date of grant of HK\$0.105, exercise price of HK\$0.1066 per share, expected volatility of 89.47%, expected life of 2 years, estimated risk-free rate of 1.65% and no expected dividend yield.

The model requires the input of subjective assumptions, including the volatility of share price. As changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of shares options.

Exercise of the share options granted on 19 June 2019 is conditional upon the fulfillment of certain performance target(s) during the exercise period.



## 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 2019, 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 2019
China Mobile Games and Entertainment Group LTD.	Beneficial owner	176,994,000 (Note 1)	6.36% (Note 2)

Notes:

- (1) The number of shares held by the shareholder had 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 2019.

## OTHER INFORMATION

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

Save as disclosed above, as at 30 June 2019, 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 2019 Interim Period.

### CORPORATE GOVERNANCE

The Company endeavours in maintaining good corporate governance for the enhancement of shareholders' value. The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the 2019 Interim Period, except the code provision A.2.1 which requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Choi Chun Chung, Danny ("Mr. Choi") has been appointed as the chief executive officer of the Company with effect from 2 January 2019 and continue to act as the chairman of the Board. However, the Board believes that, after evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Choi,

- (i) it is appropriate and in the interests of the Company at the present stage for Mr. Choi to hold both positions as the chairman of the Board and the chief executive officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company; and
- (ii) such practice will not impair the balance of power and authority under the present arrangement and will be adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

## OTHER INFORMATION

### 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 2019 Interim Period.

### AUDIT COMMITTEE

The Company's 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 2019 Interim Period.

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

Hong Kong, 22 August 2019