



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

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

INTERIM REPORT • 2020



# CONTENTS

Corporate Information	2
Financial Highlights	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Condensed Consolidated Interim Financial Information	10
Management Discussion and Analysis	37
Other Information	48



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors*

- Mr. Choi Chun Chung, Danny  
(*Chairman and Chief Executive Officer*)  
Mr. Siu Kam Chau (appointed with effect  
from 29 April 2020)  
Mr. Sit Sai Hung, Billy (resigned with  
effect from 29 April 2020)

### *Independent Non-executive Directors*

- Mr. Chiu Ka Wai, Ellis (appointed with  
effect from 29 April 2020)  
Ms. Chan Kar Yin, Polly (appointed with  
effect from 29 April 2020)  
Mr. Kwok Sze Kong (appointed with  
effect from 12 May 2020)  
Mr. Wong Kun To (resigned with effect  
from 29 April 2020)  
Mr. Chu Hau Lim (resigned with effect  
from 29 April 2020)  
Ms. Lim Xue Ling, Charlene (resigned  
with effect from 12 May 2020)

## AUDIT COMMITTEE

- Mr. Kwok Sze Kong (*Chairman*)  
Mr. Chiu Ka Wai, Ellis  
Ms. Chan Kar Yin, Polly

## REMUNERATION COMMITTEE

- Mr. Chiu Ka Wai, Ellis (*Chairman*)  
Mr. Choi Chun Chung, Danny  
Ms. Chan Kar Yin, Polly  
Mr. Kwok Sze Kong

## NOMINATION COMMITTEE

- Mr. Choi Chun Chung, Danny (*Chairman*)  
Mr. Chiu Ka Wai, Ellis  
Ms. Chan Kar Yin, Polly  
Mr. Kwok Sze Kong

## COMPANY SECRETARY

- Mr. Siu Kam Chau *CPA (Practising)*

## 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 2020:

- The Group recorded revenue of approximately HK\$52,863,000 (six months ended 30 June 2019: HK\$41,180,000).
- Profit attributable to owners of the Company amounted to approximately HK\$10,853,000 (six months ended 30 June 2019: HK\$13,353,000 (restated)).
- The Board does not recommend the payment of an interim dividend.

As at 30 June 2020:

- The Group held financial assets at fair value through profit or loss of approximately HK\$284,303,000 (31 December 2019: HK\$249,128,000).
- The Group held financial assets at fair value through other comprehensive income of approximately HK\$200,741,000 (31 December 2019: HK\$307,320,000).
- The Group held bank balances and cash of approximately HK\$258,677,000 (31 December 2019: HK\$389,225,000), loans and interest receivables of approximately HK\$466,403,000 (31 December 2019: HK\$363,490,000) respectively.
- Net current assets amounted to approximately HK\$1,160,181,000 (31 December 2019: HK\$1,034,024,000). Current ratio (defined as total current assets divided by total current liabilities) was 28.51 times (31 December 2019: 21.44 times).
- Net assets amounted to approximately HK\$1,385,604,000 (31 December 2019: HK\$1,383,677,000).

## 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 2020 together with the restated unaudited comparative figures for the corresponding period in 2019.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) (Restated) HK\$'000
<b>Revenue</b>	3	<b>52,863</b>	41,180
Direct operating costs		<b>(17,259)</b>	(6,536)
<b>Gross profit</b>		<b>35,604</b>	34,644
Other income, gains and losses	5	<b>1,959</b>	9,893
Administrative expenses		<b>(25,541)</b>	(28,327)
Share of results of associates		–	(122)
Finance costs	6	<b>(274)</b>	(1,519)
Profit before tax	7	<b>11,748</b>	14,569
Income tax expense	8	<b>(904)</b>	(1,230)
<b>Profit for the period</b>		<b>10,844</b>	13,339

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) (Restated) HK\$'000
<b>Other comprehensive income for the period</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Share of other comprehensive income of associates		–	1,408
Fair value changes of debt instruments at fair value through other comprehensive income		(9,504)	7,701
<b>Other comprehensive income for the period, net of income tax</b>		<b>(9,504)</b>	<b>9,109</b>
<b>Total comprehensive income for the period</b>		<b>1,340</b>	<b>22,448</b>
<b>Profit/(loss) for the period attributable to:</b>			
– Owners of the Company		10,853	13,353
– Non-controlling interests		(9)	(14)
		<b>10,844</b>	<b>13,339</b>
<b>Total comprehensive income for the period attributable to:</b>			
– Owners of the Company		1,349	22,462
– Non-controlling interests		(9)	(14)
		<b>1,340</b>	<b>22,448</b>
<b>Earnings per share</b>			
– Basic and diluted (HK cents)	10	0.39	0.48

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		64,868	58,638
Goodwill		136	136
Loans and interest receivables	11	187	226
Financial assets at fair value through profit or loss		76,475	86,750
Debt instruments at fair value through other comprehensive income		83,794	191,688
Other receivables	12	6,099	12,197
Other assets		155	180
		<b>231,714</b>	<b>349,815</b>
<b>Current assets</b>			
Inventories		759	–
Loans and interest receivables	11	466,216	363,264
Trade and other receivables	12	129,527	35,705
Tax recoverable		2,508	2,508
Debt instruments at fair value through other comprehensive income		116,947	115,632
Financial assets at fair value through profit or loss		207,828	162,378
Bank trust account balances		19,892	15,899
Bank balances and cash		258,677	389,225
		<b>1,202,354</b>	<b>1,084,611</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and other payables	13	33,926	23,956
Tax payable		1,837	2,226
Borrowings		–	20,800
Lease liabilities		6,410	3,605
		42,173	50,587
<b>Net current assets</b>		<b>1,160,181</b>	<b>1,034,024</b>
<b>Total assets less current liabilities</b>		<b>1,391,895</b>	<b>1,383,839</b>
<b>Non-current liability</b>			
Lease liabilities		6,291	162
<b>Net assets</b>		<b>1,385,604</b>	<b>1,383,677</b>
<b>Capital and reserves</b>			
Share capital		27,836	27,836
Reserves		1,355,906	1,353,970
<b>Equity attributable to owners of the Company</b>			
		<b>1,383,742</b>	<b>1,381,806</b>
Non-controlling interests		1,862	1,871
<b>Total equity</b>		<b>1,385,604</b>	<b>1,383,677</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to owners of the Company										Non-Controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Other reserve	Translation reserve	Investment revaluation reserve	Share-based payments	Accumulated losses	Sub-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 2019, as previously reported (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
Prior period adjustments	-	-	-	-	-	-	205,164	-	(205,164)	-	-	-
At 1 January 2019 (Audited) (Restated)	27,836	3,800,250	861	494,907	(4,270)	(216)	(4,309)	2,370	(2,673,502)	1,443,927	1,463	1,445,390
Profit/(loss) for the period	-	-	-	-	-	-	-	-	13,353	13,353	(14)	13,339
Other comprehensive income for the period	-	-	-	-	1,408	-	7,701	-	-	9,109	-	9,109
Total comprehensive income for the period	-	-	-	-	1,408	-	7,701	-	13,353	22,462	(14)	22,448
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	292	-	292	-	292
Lapse of share options	-	-	-	-	-	-	-	(2,370)	2,370	-	-	-
At 30 June 2019 (Unaudited) (Restated)	27,836	3,800,250	861	494,907	(2,862)	(216)	3,392	292	(2,857,779)	1,466,681	1,449	1,468,130
At 1 January 2020 (Audited)	27,836	3,800,250	861	494,907	249	-	(1,483)	1,969	(2,942,783)	1,381,806	1,871	1,383,677
Profit/(loss) for the period	-	-	-	-	-	-	-	-	10,853	10,853	(9)	10,844
Other comprehensive income for the period	-	-	-	-	-	-	(9,504)	-	-	(9,504)	-	(9,504)
Total comprehensive income for the period	-	-	-	-	-	-	(9,504)	-	10,853	1,349	(9)	1,340
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	587	-	587	-	587
At 30 June 2020 (Unaudited)	27,836	3,800,250	861	494,907	249	-	(10,987)	2,556	(2,931,930)	1,383,742	1,862	1,385,604

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Operating activities</b>		
Net cash used in operating activities	(115,172)	(74,562)
<b>Investing activities</b>		
Interest received	1,387	433
Purchase of property, plant and equipment	–	(601)
Purchase of investment funds	–	(6,783)
Proceeds from disposal of investment funds	6,099	14,991
Increase in amounts due from associates	–	(47)
Net cash generated from investing activities	7,486	7,993
<b>Financing activities</b>		
Interest paid	(274)	(1,519)
Payments of lease liabilities	(1,788)	(1,726)
Repayments of loan notes	(20,800)	(10,600)
Net cash used in financing activities	(22,862)	(13,845)
<b>Decrease in cash and cash equivalents</b>	<b>(130,548)</b>	<b>(80,414)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>389,225</b>	<b>224,543</b>
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>	<b>258,677</b>	<b>144,129</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 21 August 2020.

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 2019 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 2019 annual financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated interim financial information have been prepared with the same accounting policies adopted in the 2019 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 2020. 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 the 2019 annual financial statements.

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 the 2019 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:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

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.

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.

## 3. REVENUE

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest income from money lending	<b>22,887</b>	23,884
Interest income from bond investments	<b>9,314</b>	13,326
Income from financial services		
– Commission income from securities brokerage	<b>997</b>	1,331
– Commission income from placing and underwriting	<b>197</b>	–
– Interest income from clients	<b>4,687</b>	2,639
Trading of healthcare related products	<b>14,781</b>	–
	<b>52,863</b>	41,180

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3. REVENUE (Continued)

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Income from financial services		
– Commission income from securities brokerage	997	1,331
– Commission income from placing and underwriting	197	–
Trading of healthcare related products	14,781	–
	<b>15,975</b>	<b>1,331</b>

## 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 segments are managed separately as each business offers different products and services and require different business strategies. The following summary describes the operation in each of the Group's reportable segments:

- 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;
- Trading segment – Trading of healthcare related products in Hong Kong and to overseas; and
- Assets investment segment – Investments in debt securities earning fixed interest income, as well as investments in listed and unlisted equity securities and investment funds earning variable returns and gains.

# 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 2020*

	Financial services segment (Unaudited) HK\$'000	Money lending segment (Unaudited) HK\$'000	Trading segment (Unaudited) HK\$'000	Assets investment segment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Revenue</b>					
Revenue from external customers	5,881	22,887	14,781	9,314	52,863
Inter-segment sales	-	-	-	-	-
<b>Segment revenue</b>	<b>5,881</b>	<b>22,887</b>	<b>14,781</b>	<b>9,314</b>	<b>52,863</b>
<b>Results</b>					
Segment (loss)/profit	(2,121)	16,020	462	(1,101)	13,260
Unallocated corporate income					1,387
Unallocated corporate expenses					(2,625)
Finance costs					(274)
<b>Profit before tax</b>					<b>11,748</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

For the six months ended 30 June 2019 (Restated)

	Financial services segment (Unaudited) HK\$'000	Money lending segment (Unaudited) HK\$'000	Trading 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
Inter-segment sales	–	–	–	–	–
<b>Segment revenue</b>	<b>3,970</b>	<b>23,884</b>	<b>–</b>	<b>13,326</b>	<b>41,180</b>

### Results

Segment (loss)/profit	(8,961)	16,696	–	10,198	17,933
Unallocated corporate income					433
Unallocated corporate expenses					(2,156)
Finance costs					(1,519)
Share of results of associates					(122)
<b>Profit before tax</b>					<b>14,569</b>

There were no inter-segment sales for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 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 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
<b>Segment assets</b>		
Financial services segment	122,173	35,227
Money lending segment	466,732	363,690
Trading segment	6,642	–
Assets investment segment	560,897	726,920
<b>Total segment assets</b>	<b>1,156,444</b>	<b>1,125,837</b>
Unallocated assets		
– Bank balances and cash	257,624	301,087
– Other unallocated assets	20,000	7,502
<b>Consolidated total assets</b>	<b>1,434,068</b>	<b>1,434,426</b>
<b>Segment liabilities</b>		
Financial services segment	23,208	19,182
Money lending segment	908	1,135
Trading segment	8,654	–
Assets investment segment	959	23,930
<b>Total segment liabilities</b>	<b>33,729</b>	<b>44,247</b>
Unallocated liabilities	14,735	6,502
<b>Consolidated total liabilities</b>	<b>48,464</b>	<b>50,749</b>

# 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 certain property, plant and equipment, certain bank balances and cash, goodwill and tax recoverable not allocated to segment assets; and
- all liabilities are allocated to operating segments other than borrowings, lease liabilities and tax payable not allocated to segment liabilities.

### Geographic information

The Group's revenue from external customers and information regarding non-current assets by geographical locations are as follows:

	Revenue		Non-current assets	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Audited) HK\$'000
Hong Kong	45,087	41,180	231,714	349,815
United States of America	7,776	—	—	—
	<b>52,863</b>	<b>41,180</b>	<b>231,714</b>	<b>349,815</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. SEGMENT INFORMATION (Continued)

### Information about major customers

There was no customer contributing over 10% of the total revenue of the Group during the six months ended 30 June 2019. For the six months ended 30 June 2020, revenue from a major customer accounted for over 10% of the total revenue of the Group is as follows:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Customer A (revenue from trading business)	6,487	N/A*

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

## 5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) (Restated) HK\$'000
Interest income	1,387	433
Sundry income	50	1
Dividend income from listed equity securities	13	—
Fair value changes of financial assets at fair value through profit or loss ("FVTPL")	2,838	9,240
(Loss)/gain on disposal of debt instruments at fair value through other comprehensive income ("FVOCI")	(2,329)	219
	<b>1,959</b>	<b>9,893</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. FINANCE COSTS

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on lease liabilities	167	230
Interest on loan notes	107	1,289
	<b>274</b>	<b>1,519</b>

## 7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit before tax has been arrived at after charging/(crediting):		
Cost of inventories recognised as an expense	14,163	–
Depreciation of property, plant and equipment	4,492	4,091
Exchange losses/(gains), net	762	(499)
Impairment loss on trade receivables	1,423	1,296
Impairment loss on loans and interest receivables	538	–
Reversal of impairment loss on trade receivables	(7)	(9)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current tax:		
– Hong Kong Profits Tax	904	1,230
<b>Tax expense for the period</b>	<b>904</b>	<b>1,230</b>

Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of estimated assessable profits of a group entity under the two-tiered profits tax rates regime and at 16.5% for the portion of the estimated assessable profits above HK\$2,000,000 of that group entity for the six months ended 30 June 2020 and 2019. The assessable profits of the group entities not qualifying for the two-tiered profits tax rates regime continued to be taxed at 16.5% for both periods.

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

## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## 10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) (Restated) HK\$'000
Earnings attributable to owners of the Company for the purpose of basic and diluted earnings per share	10,853	13,353

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 10. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2020 (Unaudited) '000	2019 (Unaudited) '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	2,783,553	2,783,553

Diluted earnings per share equals basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2020 and 2019.

## 11. LOANS AND INTEREST RECEIVABLES

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Fixed-rate loan receivables	463,967	363,248
Accrued interest receivables	7,794	5,062
	<b>471,761</b>	<b>368,310</b>
Less: provision for impairment loss on loans and interest receivables	(5,358)	(4,820)
	<b>466,403</b>	<b>363,490</b>
Analysed for reporting purpose as:		
Current assets	466,216	363,264
Non-current assets	187	226
	<b>466,403</b>	<b>363,490</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11. LOANS AND INTEREST RECEIVABLES (Continued)

As at 30 June 2020, loans and interest receivables of approximately HK\$341,925,000 (31 December 2019: HK\$308,948,000) were secured by assets under legal charges and approximately HK\$64,097,000 (31 December 2019: HK\$24,140,000) were guaranteed by certain independent third parties respectively, while remaining loans and interest receivables of approximately HK\$60,381,000 (31 December 2019: HK\$30,402,000) were unsecured. The interest rates on all loans receivables are fixed ranging from 9% to 30% (31 December 2019: 9% to 30%) per annum and loans receivables are due within 1 to 40 months (31 December 2019: 1 to 46 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 receivables are not materially different from their carrying amounts.

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 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within 1 year	466,216	363,264
More than 1 year but less than 5 years	187	226
	<b>466,403</b>	<b>363,490</b>

Approximately 73.31% (31 December 2019: 84.99%) of loans and interest receivables were fully secured by collaterals. Also, approximately 13.74% (31 December 2019: 6.64%) of loans and interest receivables were fully secured by personal and corporate guarantees.

As at 30 June 2020 and 31 December 2019, the collaterals for those secured loans are landed properties in Hong Kong and shares of certain listed and unlisted companies.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11. LOANS AND INTEREST RECEIVABLES (Continued)

Stage analysis on allowance for impairment loss on loans and interest receivables:

	12-month ECL (Stage 1) HK\$'000	Lifetime ECL not credit- impaired (Stage 2) HK\$'000	Lifetime ECL credit- impaired (Stage 3) HK\$'000	Total HK\$'000
As at 30 June 2020 (Unaudited)	–	–	5,358	5,358
As at 31 December 2019 (Audited)	–	–	4,820	4,820

The table below details the credit risk exposures of the Group's loans and interest receivables, which are subject to ECL assessment:

	12-month ECL (Stage 1) HK\$'000	Lifetime ECL not credit- impaired (Stage 2) HK\$'000	Lifetime ECL credit- impaired (Stage 3) HK\$'000	Total HK\$'000
Gross carrying amounts				
As at 30 June 2020 (Unaudited)	341,925	124,478	5,358	471,761
As at 31 December 2019 (Audited)	310,240	53,250	4,820	368,310

For the gross loans and interest receivables of Stage 2, the Directors believed that the amount was recoverable, after taking into account of the recent market price of properties similar to the collateral being sufficient to cover the entire outstanding balance as at 31 December 2019 and 30 June 2020.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Trade receivables in relation to:		
– Financial services business		
– Cash clients ( <i>Note (a)</i> )	458	565
– Margin clients ( <i>Note (b)</i> )	135,570	48,993
– Clearing house ( <i>Note (a)</i> )	333	1,030
– Trading business ( <i>Note (c)</i> )	5,160	–
	<b>141,521</b>	50,588
Less: provision for impairment loss on trade receivables	<b>(36,749)</b>	(35,333)
	<b>104,772</b>	15,255
Other receivables ( <i>Note (d)</i> )	<b>30,854</b>	32,647
<b>Total trade and other receivables</b>	<b>135,626</b>	47,902
Analysed for reporting purpose as:		
Current assets	129,527	35,705
Non-current assets	6,099	12,197
	<b>135,626</b>	47,902

### 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.

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)

An analysis of changes in the corresponding ECL allowances is as follows:

	12-month ECL (Stage 1) HK\$'000	Lifetime ECL not credit- impaired (Stage 2) HK\$'000	Lifetime ECL credit- impaired (Stage 3) HK\$'000	Total HK\$'000
As at 1 January 2019 (Audited)	–	279	–	279
Recovery of impairment loss during the year	–	(20)	–	(20)
As at 31 December 2019 (Audited)	–	259	–	259
Recovery of impairment loss during the year	–	(7)	–	(7)
As at 30 June 2020 (Unaudited)	–	252	–	252

The table below details the credit risk exposures of the Group's trade receivables from cash clients and clearing house, which are subject to ECL assessment:

	12-month ECL (Stage 1) HK\$'000	Lifetime ECL not credit- impaired (Stage 2) HK\$'000	Lifetime ECL credit- impaired (Stage 3) HK\$'000	Total HK\$'000
Gross carrying amounts				
As at 30 June 2020 (Unaudited)	539	252	–	791
As at 31 December 2019 (Audited)	1,336	259	–	1,595

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (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 2020, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK\$504,772,000 (31 December 2019: HK\$63,157,000).

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.

An analysis of changes in the corresponding ECL allowances is as follows:

	12-month ECL (Stage 1) HK\$'000	Lifetime ECL not credit- impaired (Stage 2) HK\$'000	Lifetime ECL credit- impaired (Stage 3) HK\$'000	Total HK\$'000
As at 1 January 2019 (Audited)	–	32,396	–	32,396
Loss allowance recognised	–	2,678	–	2,678
As at 31 December 2019 (Audited)	–	35,074	–	35,074
Loss allowance recognised	–	1,423	–	1,423
As at 30 June 2020 (Unaudited)	–	<b>36,497</b>	–	<b>36,497</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) (Continued)

The table below details the credit risk exposures of the Group's trade receivables from margin clients, which are subject to ECL assessment:

	12-month ECL (Stage 1) HK\$'000	Lifetime ECL not credit- impaired (Stage 2) HK\$'000	Lifetime ECL credit- impaired (Stage 3) HK\$'000	Total HK\$'000
Gross carrying amounts				
As at 30 June 2020 (Unaudited)	99,073	36,497	–	135,570
As at 31 December 2019 (Audited)	13,919	35,074	–	48,993

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

(c) Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory and trustworthy credit history. Credit limits attributed to its customers are reviewed regularly. The Group generally allows an average credit period of 30 days for its customers (31 December 2019: Nil). For new customers, cash on delivery or payment in advance is normally required.

The Group seeks to maintain strict control over its outstanding trade receivables. Overdue balances are reviewed regularly by the senior management. The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) (Continued)

The aging analysis of trade receivables based on the invoice date, and net of ECLs, is as follows:

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
0 to 30 days	4,630	–
31 to 60 days	18	–
61 days to 90 days	512	–
	<b>5,160</b>	<b>–</b>

As at 30 June 2020, trade receivables of approximately HK\$530,000 (31 December 2019: HK\$Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables past due but not impaired is as follows:

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Less than 30 days	18	–
31 to 60 days	512	–
	<b>530</b>	<b>–</b>

(d) As at 30 June 2020, the balance included an amount of approximately HK\$19,312,000 (31 December 2019: HK\$25,411,000) from an independent third party in respect of the disposal of an investment fund during the year ended 31 December 2019. Given there is no history of default from these counterparties, the Directors are of the opinion that the risk of default is not significant. Therefore, ECL of the other receivables is assessed to be immaterial.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13. TRADE AND OTHER PAYABLES

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Trade payables in relation to:		
– Financial services business		
– Cash clients ( <i>Note (a)</i> )	2,854	2,606
– Margin clients ( <i>Note (a)</i> )	14,792	13,876
– Clearing house ( <i>Note (a)</i> )	4,074	568
– Trading business ( <i>Note (b)</i> )	7,578	–
	<b>29,298</b>	17,050
Other payables and accruals	4,628	6,906
<b>Total trade and other payables</b>	<b>33,926</b>	23,956

### 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.

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

## 13. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(b) The aging analysis of trade payables based on the date of invoice date, is as follows:

	<b>At 30 June 2020 (Unaudited) HK\$'000</b>	<b>At 31 December 2019 (Audited) HK\$'000</b>
0 to 30 days	6,510	—
31 to 60 days	235	—
61 days to 90 days	833	—
	<b>7,578</b>	<b>—</b>

## 14. CAPITAL COMMITMENT

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

	<b>At 30 June 2020 (Unaudited) HK\$'000</b>	<b>At 31 December 2019 (Audited) HK\$'000</b>
Commitment contracted for but not provided for in respect of investment in an investment fund which will be recognised as financial assets at FVTPL	<b>5,198</b>	<b>5,198</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15. 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 inputs used).

	Fair value		Fair value hierarchy	Valuation technique(s)
	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000		
Equity securities listed in Hong Kong classified as financial assets at FVTPL	45,733	6,658	Level 1	Quoted bid prices
Equity securities listed in Hong Kong, the trading on the Stock Exchange were suspended, are classified as financial assets at FVTPL	2,044	1,223	Level 3	Index return method
Unlisted investment funds classified as financial assets at FVTPL	160,051	142,792	Level 3	Guideline public company method
Listed bond investments classified as debt instruments at FVTPL	76,475	86,750	Level 2	Net asset values provided by fund administrators
Listed bond investments classified as debt instruments at FVOCI	-	11,705	Level 1	Quoted bid prices
Listed bond investments classified as debt instruments at FVOCI	200,741	307,320	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 2020 and the year ended 31 December 2019.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16. CONTINGENT LIABILITIES

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

Classictime Investments Limited (“Classictime”), a wholly-owned subsidiary of the Company, is the 24th Defendant in a writ of summons served on 19 December 2017 on behalf of Convoy Global Holdings Limited (“Convoy”, the 1st Plaintiff), Convoy Collateral Limited (“CCL”, the 2nd Plaintiff) and CSL Securities Limited (“CSL”, the 3rd Plaintiff) (collectively, the “Plaintiffs”) in a set of legal proceedings brought by the Plaintiffs in the High Court of Hong Kong (the “Convoy HC Action”). It is the Plaintiffs’ case that, amongst other things, the 1st Defendant, Mr. Cho Kwai Chee Roy, and his associates (who are named as co-defendants in the Convoy HC Action) implemented a scheme such that shares in Convoy would be allotted to and held by companies related to the 1st Defendant (the “Placees”) which had agreed to act upon the direction of the 1st Defendant. The Plaintiffs alleged that the 1st Defendant and his associates on the board of Convoy, CCL and/or CSL improperly used their power to allot shares and to grant loans to the detriment of the Convoy Group, constituting serious breaches of fiduciary duties or other director’s duties, dishonest assistance, unlawful and/or lawful means conspiracy. Classictime is one of the alleged Placees in the Convoy HC Action. The Plaintiffs, amongst other things, seek an order against Classictime that the allotment of shares to Classictime be set aside, together with damages, interests, costs, and further and/or other relief. As at the date of this report, pleadings is deemed to be closed but discovery has not taken place.

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16. 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 Convoy HC Action.

Please refer to the Company’s announcement dated 3 January 2018 for more details.

A Case Management Conference was held on 6 March 2018. In summary, the Court directed that the Petition be stayed pending determination of the Convoy HC Action.

### (iii) Counterclaim made by Best Year Enterprises Limited (“Best Year”)

On 25 July 2018, Power Securities Company Limited (“Power Securities”), a wholly-owned subsidiary of the Company, commenced legal proceedings against, amongst other parties, Best Year and Mr. Sin Kwok Lam (“Mr. Sin”) by way of a writ of summons. Power Securities subsequently filed and served the Statement of Claim on 30 November 2018. On 8 March 2019, Best Year and Mr. Sin filed a defence and counterclaim. The said counterclaim was made against, amongst other parties, Power Securities and Mr. Sit Sai Hung Billy (“Mr. Sit”), the then executive Director of the Company, for damages for conspiracy to be assessed, interest, costs and such further and/or other relief.

On 24 June 2019, the Court made a winding-up order (the “Winding-up Order”) against Best Year. By reason of the Winding-up Order, the counterclaim by Best Year against Power Securities and Mr. Sit was stayed. On 24 June 2019, Power Securities and Mr. Sit took out an application to strike out Mr. Sin’s counterclaim. On 18 July 2019, Mr. Sin took out an application for leave to amend his counterclaim. By the Order of Coleman J dated 5 December 2019 (“Coleman J’s Order”), Mr. Sin’s claim was struck out. On 27 December 2019, Mr. Sin filed a notice of appeal against Coleman J’s Order. As at the date of this report, the appeal is still ongoing.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16. CONTINGENT LIABILITIES (Continued)

### (iv) Writ of summons by Best Year

On 17 June 2019, Best Year and Mr. Sin commenced another legal proceedings against Power Securities and another party based on the same subject matter of the counterclaim set out in Section (iii) above. By the writ of summons, Best Year and Mr. Sin sought for, amongst others, a declaration that the summary judgment (the “Summary Judgment”) obtained by Power Securities against Best Year previously in relation to a margin shortfall was obtained by fraud, an order that the Summary Judgment be set aside, an account order, payment order, damages, interest, costs and such further and/or other relief.

By reason of the Winding-up Order as set out in Section (iii) above, the claim by Best Year against Power Securities was stayed. On 23 July 2019, Power Securities took out an application to strike out Mr. Sin’s claim. By Coleman J’s Order as set out in Section (iii) above, Mr. Sin’s claim was struck out. On 27 December 2019, Mr. Sin filed a notice of appeal against Coleman J’s order. As at the date of this report, the appeal is still ongoing.

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17. PRIOR PERIOD ADJUSTMENTS

In preparing the condensed consolidated interim financial information for the year ended 30 June 2020, the Group identified a misstatement and made corrections in the presentation and disclosures of certain comparative information in the previously issued condensed consolidated interim financial information for the six months ended 30 June 2019.

### **Adjustments relating to classification of unlisted investment funds**

The investments in unlisted investment funds which were previously classified as equity instruments at FVOCI contain a contractual obligation for the funds upon its termination to distribute to the Group a pro rata share of their net assets at the date of its termination or to redeem or repurchase that instrument for cash or other financial assets upon exercise by the Group. Accordingly, those investments do not meet the definition of an equity instrument in HKAS 32 Financial Instruments: Presentation and cannot be designated at FVOCI by the Group. Such investments should have been classified as financial assets at FVTPL under HKFRS 9 as at 1 January 2019.

Accordingly, certain prior period adjustments have been made and certain comparative information has been restated to correct these errors. The effect of correcting these errors are as follows:

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17. PRIOR PERIOD ADJUSTMENTS (Continued)

### Adjustments relating to classification of unlisted investment funds (Continued)

Impact on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019:

	As previously reported (Unaudited) HK\$'000	Prior period adjustments (Unaudited) HK\$'000	As restated (Unaudited) HK\$'000
Other income, gains and losses	(503)	10,396	9,893
Profit before tax	4,173	10,396	14,569
<b>Profit for the period</b>	<b>2,943</b>	<b>10,396</b>	<b>13,339</b>
<b>Other comprehensive income for the period</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes of equity instruments at FVOCI	10,396	(10,396)	–
Other comprehensive income for the period, net of income tax	19,505	(10,396)	9,109
<b>Total comprehensive income for the period</b>	<b>22,448</b>	<b>–</b>	<b>22,448</b>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company	2,957	10,396	13,353
Non-controlling interests	(14)	–	(14)
	<b>2,943</b>	<b>10,396</b>	<b>13,339</b>
<b>Earnings per share</b>			
– Basic and diluted (HK cents)	0.11	0.37	0.48

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17. PRIOR PERIOD ADJUSTMENTS (Continued)

### Adjustments relating to classification of unlisted investment funds (Continued)

Impact on the condensed consolidated statement of changes in equity as at 1 January 2019:

	As previously reported (Audited) HK\$'000	Prior period adjustments (Audited) HK\$'000	As restated (Audited) HK\$'000
Investment revaluation reserve	(209,473)	205,164	(4,309)
Accumulated losses	(2,668,338)	(205,164)	(2,873,502)

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Improved operating profit under challenging environment

For the six months ended 30 June 2020 (the “Period”), the Group recorded a revenue of approximately HK\$52,863,000 as compared to approximately HK\$41,180,000 for corresponding period of 2019. The Group’s approximately 28.37% upsurge in revenue during the Period was mainly attributable to a significant increase in income from its margin financing business and the newly established trading operations.

During the first half of 2020, the Group experienced a year-on-year improvement in operating profit, before adjustment on fair value changes of financial assets at fair value through profit or loss. The improvement was a result of higher effective interest rates charged to borrowers from money lending business and improved operating results from financial services business. The Group’s net profit attributable to owners of the Company dropped slightly to approximately HK\$10,853,000 compared with that of approximately HK\$13,353,000 (restated) for the corresponding period of 2019. The mild adjustment in net profit was due partly to the decrease in gains arising from fair value changes of financial assets at fair value through profit or loss.

The Group’s cash position remained strong at the end of the Period, with bank balances and cash of approximately HK\$258,677,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### **Adherence to prudent strategy amidst severe uncertainty**

The first half of 2020 was marked by worsening worldwide economic environment as a result of the Coronavirus Disease 2019 (“COVID-19”) pandemic. The closing down of most of leading economies and suspension of business and production activities in the first quarter of 2020, posted severe challenges to social and economic development of nations around the globe. The Hong Kong economy contracted for the fourth consecutive quarter, with gross domestic product (GDP) shrunk by 9% year-on-year in the second quarter, a decline beyond general expectation.

The financial sector during the Period remained volatile with stock markets in major financial centers experiencing extreme fluctuation. In the United States (“US”) , stock prices rose steeply in May 2020 from the March lows. The stock markets in Mainland China and Hong Kong had also gone through significant swings. The dispersion of returns from the capital market had inevitably heightened the risk of various financial investments.

During the second quarter of 2020, there was an improvement in investment sentiment in Hong Kong, evidenced by sharp rebound in equity and bond valuations from their worst slumps in March 2020. However, most investors remained vigilant to market changes and generally maintained a relatively short-term and resilient investment strategy.

In responding to unprecedented market volatility and social uncertainty, the Group adopted a prudent strategy of securing stable return from its existing operations and diversifying its income source through expansion to trading of products with abundant demand.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Services

The Group's financial services business covers securities brokerage, margin financing and corporate finance advisory services. During the Period, the financial services business continued its stringent credit control and risk management measures. Following a successful revamping of its internal control system and revitalization of its marketing effort, the business segment achieved significant enhancement in operation. During the Period, the Group's financial services business experienced expansion in revenue, transaction volume, and customer bases. The Group's margin loan business outperformed its peers, with significant increases in both the number of outstanding margin loan clients and amount of outstanding margin loan receivables, which were approximately two times and 611.78% higher than those at the beginning of the Period respectively. Outstanding margin loan receivables stood at approximately HK\$99,073,000 as at 30 June 2020. Due to the aforementioned reasons, the financial services business reported an approximate 48.14% upsurge in revenue to approximately HK\$5,881,000 and a narrowed operating loss of approximately HK\$2,121,000 for the Period.

## Money Lending

The Group's money lending business was conducted through its wholly-owned subsidiary, E Finance Limited. The Group's money lending business maintained a sizable loan portfolio with healthy effective interest rates, and offered a range of loans tailored for different market needs, including the provision of first mortgage, second mortgage and subordinate mortgage loans, stock mortgage loans and guaranteed loans to individuals and corporations with favorable credit records in Hong Kong.

The Group's money lending business reported satisfactory performance for the Period, with increases in the number of outstanding loans and amount of loans receivables. The outstanding loans and interest receivables of the Group amounted to approximately HK\$466,403,000 as at 30 June 2020. Due to the unresolved social unrests since mid-2019 and the outbreak of the COVID-19 in early 2020, the Group became more cautious in credit approval during the first quarter of 2020. As a result, interest income from this business segment adjusted to approximately HK\$22,887,000, which was approximately 4.17% slightly lower than that of the corresponding period last year.

The Group's stepped-up marketing efforts in the second quarter led to invigorated growth momentum in the money lending business since March 2020. The Group also widened its referral agent network to extend its reach for prospective borrowers. These referral agents constituted an instrumental element for the segment's business expansion. An enlarged loan portfolio enjoying higher effective interest rate contributed to the segment's operating profit of approximately HK\$16,020,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Trading

During the Period, the Group designated Power Global Trading Company Limited (“Power Global Trading”), an operating subsidiary, for trading activities. The outbreak of COVID-19 in the first quarter of 2020 had given rise to an enormous demand for healthcare products and protective gears against the pandemic. Answering to desperate needs of the local community and certain overseas markets, Power Global Trading actively involved in the trading of hygiene products, such as surgical face mask, hand sanitizers and alcohol sprays. The Group’s swift response to social environment, allowed it to generate from the trading business a substantial income, which accounted for approximately 27.96% of its overall revenue for the Period.

## Assets Investment

The Group’s assets investment comprised a portfolio of funds, securities and bond investments. The segment result of this business segment reported a turnaround from profit to loss during the Period. The retreated performance was mainly attributable to reduced gains from fair value changes of financial assets at fair value through profit or loss, as a result of economic downturn and oscillation in the capital market.

To respond to changing market sentiment, the Group had consolidated its bond portfolio during the Period. Certain bond investments were realised with the proceeds being applied to better performing activities, such as margin financing and money lending businesses.

The assets investment segment also comprises a portfolio of listed securities including Hang Seng Index ETF and constituent stocks. Such investments were expected to be less vulnerable to drastic market fluctuation. However, under radical turbulence of the financial and commercial sectors, gains from valuation of the aforementioned instruments were therefore contracted from those of last year’s corresponding period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Significant Investments

As at 30 June 2020, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$284,303,000 (31 December 2019: HK\$249,128,000), including (a) equity securities of approximately HK\$207,828,000 (31 December 2019: HK\$150,673,000); (b) unlisted investment funds of approximately HK\$76,475,000 (31 December 2019: HK\$86,750,000); and (c) listed bond investments of approximately HK\$Nil (31 December 2019: HK\$11,705,000) respectively.

As at 30 June 2020, the Group's portfolio of financial assets at fair value through profit or loss comprised (a) 12 equity securities listed in Hong Kong; and (b) 4 unlisted investment funds. For the 12 listed equity securities, 11 of which accounted for approximately 3.81% of the Group's unaudited consolidated total assets as at 30 June 2020 and the remaining 1 accounted for approximately 10.68% of the Group's unaudited consolidated total assets as at 30 June 2020. For the 4 unlisted investment funds, each of which accounted for approximately 0.50% to 2.78% of the Group's unaudited consolidated total assets as at 30 June 2020.

As at 30 June 2020, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK\$200,741,000 (31 December 2019: HK\$307,320,000), all of which are listed bond investments.

As at 30 June 2020, the Group's portfolio of financial assets at fair value through other comprehensive income comprised 29 bond investments listed in Hong Kong or Singapore, each of which accounted for approximately 0.06% to 1.11% of the Group's unaudited consolidated total assets as at 30 June 2020.

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 2020 as significant investments.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial assets at fair value through profit or loss

Description of investments	Fair value/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 consolidated net assets as at		Dividends received during the Period	Interest income during the Period	Realised gain during the Period	Unrealised gain/(loss) during the Period
	2020	2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019				
	HK\$'000	HK\$'000	'000	'000					HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Significant investments</b>												
<b>Listed securities investments in Hong Kong</b>												
Town Health International Medical Group Limited ("Town Health")												
Provision of medical and dental services in Hong Kong; managing healthcare networks and provision of third party medical network administrator services in Hong Kong; provision of medical and dental services, as well as hospital management and related services in the People's Republic of China ("PRC"); provision of miscellaneous healthcare related services, trading of listed securities and leasing of properties	153,171	134,952	674,762	674,762	8.97%	8.97%	11.05%	9.75%	-	-	-	18,219
<b>Other investments</b>												
<b>Other listed securities investments'</b>	54,657	15,721							-	-	2,410	(7,650)
<b>Unlisted investment funds'</b>	76,475	86,750							13	-	-	(10,275)
<b>Listed bond investments</b>	-	11,705							-	53	34	-
<b>Grand total for the financial assets at fair value through profit or loss</b>	<b>284,303</b>	<b>249,128</b>							<b>13</b>	<b>53</b>	<b>2,444</b>	<b>394</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

- \* Other listed securities investments mainly comprise the Group's investments in 11 companies whose shares are listed on the Main Board of the Stock Exchange. Each of the investments has a carrying amount that accounted for not more than 5% of the Group's unaudited consolidated total assets as at 30 June 2020.
- # The unlisted investment funds comprise 4 different private funds. The business/investment sector of the unlisted investment funds mainly relates to various industries including, but not limited to, companies in consumer goods, retail, medical and health services, and internet-related and mobile-application-related industries.

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

Description of investments	Market value of investments as at		Interest income during the Period HK\$'000	Loss on disposal during the Period HK\$'000	Fair value changes recognised through other comprehensive income during the Period HK\$'000
	30 June 2020 HK\$'000	31 December 2019 HK\$'000			
Listed bond investments*	200,741	307,320	9,261	(2,329)	(9,504)
<b>Grand total for the financial assets at fair value through other comprehensive income</b>	<b>200,741</b>	<b>307,320</b>	<b>9,261</b>	<b>(2,329)</b>	<b>(9,504)</b>

- \* The bond investments comprise 29 different bonds issued by companies listed in Hong Kong or the PRC. The business/investment sector of the bonds investments mainly relates to various industries including, but not limited to property development and investment in Hong Kong and the PRC.

# 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 2020, the Group held 674,762,000 shares of Town Health, which represented approximately 8.97% of the issued shares of Town Health as at 30 June 2020; and the aggregate carrying amount of such investment was approximately HK\$153,171,000, representing approximately 10.68% of the Group's unaudited consolidated total assets as at 30 June 2020 and approximately 11.05% of the Group's unaudited consolidated net assets as at 30 June 2020.

During the Period, no dividend was received by the Group from Town Health and the Group recorded a fair value gain of approximately HK\$18,219,000 for its investment in Town Health.

With regards to the performance, material factors underlying the results and financial position, significant events and the future prospects of Town Health, details of which are disclosed in the Town Health's annual report for the year ended 31 December 2019 published on 8 April 2020. The latest updates on the financial performance of Town Health are disclosed in the Town Health's announcement of profit warning dated 17 July 2020.

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, 1 August 2019, 31 October 2019, 10 January 2020, 29 April 2020, 4 May 2020 and 31 July 2020.

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **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 global financial market remains extremely volatile and it is difficult to accurately assess the full economic impact of the coronavirus epidemic at this moment. The fluctuation in the local stock market is likely to further affect the value of the Group's financial assets at fair value through profit and loss and through other comprehensive income. The Group will stay alert of the rapidly changing market environment, and closely monitor price movement of equities under its portfolios and transaction of such equity and debt instruments, to effectively control its exposure. The Group aims to promptly adjust its investment portfolio in response to changing market situation, and will maintain a cautious approach in considering any investment opportunities.

## **BUSINESS OUTLOOK**

The second half of 2020 continues to be clouded by uncertainty. The world economy is subject to the threat of a second wave of the COVID-19 outbreak. Certain territories including Hong Kong are experiencing significant surge in the number of diagnoses cases. Resumption of economic activities has been put to a halt in many parts of the world.

Escalated international trade and political tensions are becoming another pivotal risk factor. Given the close association between the economies of Mainland China and Hong Kong, the deteriorated Sino-US relationship and proposed US sanction on certain aspects of the local economy are expected to undermine Hong Kong's fragile recovery from the pandemic.

Despite sharp rally in leading stock markets in the US, Mainland China and Hong Kong, abundant market liquidity is expected to cause more volatilities. There remains risk of stock market consolidation in the near future.

The Group will maintain a judicious approach in managing its investment portfolio, and will adhere to its rigid risk control measures. To minimize its exposure to market volatility, the Group is cautiously exploring opportunities for a rational diversification of its business scope.

Favorable monetary policies adopted by various central banks is expected to fuel stock market vibrancy. Significant stock index and share price movements will continue to attract liquid capital. Active stock trading at local and overseas stock markets enables the Group to further enlarge the volume of its margin financing activities, as such, more resources are being earmarked for this line of business.

# MANAGEMENT DISCUSSION AND ANALYSIS

Given the Group profuse capital resources and healthy financial position, it is capable of exerting agile response to market opportunities arising from economic fallout.

With the necessary professional licences and expertise for the full range of financial services, the Group will be actively participating in corporate finance advisory and equity capital market transaction in both initial public offer and secondary markets. More experienced talents are recruited to support the Group's aggressive development of its financial services operations. The Group is capitalizing on its fully integrated setup to tap into every business aspect of the capital market.

Adverse commercial environment along with tightened financing requirement of banks and larger institutions is driving individual and corporate borrowers to the Group's money lending operations. The Group is deepening its cooperation with referral agents to broaden its loan portfolio and customer base. To accommodate the rapid development of its money leading business, the Group is beefing up its operation efficiency through strengthened system automation, and bolstered supervision of its loan portfolio. In addition, the Group launched an online platform to facilitate clientele and business expansion.

The Group plans to broaden the scope of its money lending activities to retail lending and project financing. A new subsidiary of the Group was incorporated on 31 July 2020 and is currently in the process of application for a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group will form a new team and employ more experienced staff for such horizontal expansion in money lending business. Under a relatively difficult economic environment, the Group believes these additional services will be able to address substantial individual and corporate financing needs. However, the Group's business expansion is not going to be realised at the expense of effective risk control. Stringent scrutiny and thorough credit examination are applied to every single loan approval.

Power Global Trading, the Group's trading arm, is developing its website to tap into the online market. It is also widening its distribution channels both via utilising e-commerce platforms and cooperation with local retail outlets on consignment basis. To further expand its product range, the Group's trading business is negotiating with domestic and overseas suppliers for exclusive distribution of a range of healthcare products.

In light of the unpredictability of the stock market, more conservative investors are likely to place their money on fixed income assets. Bonds with stable return are going to gain favor from these investors in a low-interest rate environment. The Group is reviewing and adjusting the composition of its bond portfolio to capture market opportunities.

# MANAGEMENT DISCUSSION AND ANALYSIS

To weather market uncertainty, the Group will persist with its approach of maintaining healthy capital liquidity, and adopting stringent risk control measures in formulating its business decisions.

## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2020, the Group held bank balances and cash of approximately HK\$258,677,000 (31 December 2019: HK\$389,225,000). Net current assets amounted to approximately HK1,160,181,000 (31 December 2019: HK\$1,034,024,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 28.51 times (31 December 2019: 21.44 times). The gearing ratio of the Group (defined as total liabilities to total assets, expressed in a percentage figure) was approximately 3.38% (31 December 2019: 3.54%).

As at 30 June 2020, the Group had outstanding borrowings of approximately HK\$Nil (31 December 2019: HK\$20,800,000). As at 31 December 2019, the borrowings were unsecured and carried interest at 7% per annum and were 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 2020, the Group had shareholders' equity of approximately HK\$27,836,000 (31 December 2019: HK\$27,836,000).

## CONTINGENT LIABILITIES

For the details of the contingent liabilities of the Group, please refer to Note 16 to the condensed consolidated interim financial information.

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, no asset of the Group was charged to any parties (31 December 2019: Nil).

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed 26 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 EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, 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 2020 (Note 1)
Mr. Choi Chun Chung, Danny ("Mr. Choi") (Note 2)	Interest of a controlled corporation	28,000,000	–	28,000,000	1.01%
Mr. Siu Kam Chau ("Mr. Siu")	Beneficial owner	–	27,830,000	27,830,000	1.00%

Save as disclosed above, as at 30 June 2020, 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.

Notes:

- (1) The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at 30 June 2020.
- (2) Mr. Choi was interested in, through a corporation controlled by him, 28,000,000 shares of the Company.

## OTHER INFORMATION

### SHARE OPTIONS

#### 2013 Share Option Scheme

The existing 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 (if any) in such holdings during the 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 1 January 2020	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	Outstanding as at 30 June 2020
<b>Director</b>								
Mr. Siu (Notes 1 and 3)	19/06/2019	19/6/2019 to 18/6/2021	0.1066	27,830,000	-	-	-	27,830,000
<b>Employee</b>								
(Notes 2 and 3)	19/06/2019	19/6/2019 to 18/6/2021	0.1066	27,830,000	-	-	-	27,830,000
<b>Total</b>				55,660,000	-	-	-	55,660,000

## OTHER INFORMATION

### SHARE OPTIONS (Continued)

#### 2013 Share Option Scheme (Continued)

Notes:

- (1) Mr. Siu, a then non-Director employee of the Group, was granted 27,830,000 share options on 19 June 2019. On 29 April 2020, he was appointed as an executive Director.
- (2) Mr. Sit Sai Hung, Billy, a then executive Director, was granted 27,830,000 share options on 19 June 2019. On 29 April 2020, he resigned as an executive Director and continued to be an employee of the Group.
- (3) 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 was determined pursuant to the binomial model to be approximately 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 option 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 2020, the following shareholders (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 shareholders	Capacity	Number of shares of the Company	Approximate % of the issued share capital of the Company as at 30 June 2020 <i>(Note 1)</i>
China Mobile Games and Entertainment Group LTD.	Beneficial owner	176,994,000 <i>(Note 2)</i>	6.36%
Pro First International Corporation <i>(Note 3)</i>	Beneficial owner	794,480,000	28.54%
Mr. Yang Lijun <i>(Note 3)</i>	Interest of a controlled corporation	794,480,000	28.54%

## OTHER INFORMATION

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

#### Long positions in the shares of the Company (Continued)

Notes:

- (1) The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at 30 June 2020.
- (2) 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.
- (3) Pro First International Corporation, a limited company incorporated in the British Virgin Islands and solely owned by Mr. Yang Lijun, is interested in 794,480,000 shares.

Save as disclosed above, as at 30 June 2020, 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.

## OTHER INFORMATION

### 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 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 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 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 Period.

### AUDIT COMMITTEE

The Company's audit committee currently comprises three independent non-executive Directors, namely Mr. Kwok Sze Kong (the chairman of the audit committee), Mr. Chiu Ka Wai, Ellis and Ms. Chan Kar Yin, Polly. 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 Period.

### DISCLOSURE OF DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Name of Director	Details of Changes
------------------	--------------------

- |         |  |
|---------|--|
| Mr. Siu | – Mr. Siu is currently licensed with Securities Futures Commission as a responsible officer of Power Corporate Finance Company Limited, an indirect wholly-owned subsidiary of the Company, for Type 6 regulated activity (Advising on Corporate Finance). |
|---------|--|

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

Hong Kong, 21 August 2020