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

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

2020
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Choi Chun Chung, Danny
(Chairman and Chief Executive Officer)
Mr. Siu Kam Chau

Independent Non-executive Directors
Ms. Chan Kar Yin, Polly
Mr. Chiu Ka Wai, Ellis
Mr. Kwok Sze Kong

AUDIT COMMITTEE

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

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

COMPANY SECRETARY

Mr. Siu Kam Chau

AUDITOR

CCTH CPA Limited
Certified Public Accountants
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New Territories, Hong Kong

REGISTERED OFFICE

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31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon, 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

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WEBSITE

www.powerfinancial.com.hk

STOCK CODE

397

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Power Financial Group Limited (the "Company"), I am pleased to present the annual report of the Company for the year ended 31 December 2020 (the "Year").

The outbreak of COVID-19 in the first quarter of 2020 has indeed brought about wide-ranging implications in terms of political, social and economic development around the world. Many businesses have been forced to shut down permanently amidst swift fundamental changes in consumer behavior and supply chain disruptions. Global financial markets also had to weather a host of economic shocks associated with the pandemic. Yet, despite numerous negative external factors, the rapid valuation recovery of Hong Kong's listed companies coupled with the continuing local IPO frenzy helped shore up capital inflows and boost market turnover.

Against the backdrop of a recovery in market sentiment and IPO boom, the Group swiftly adjusted its operational strategy and realigned its resources to focus on interest-income operations in both the financial services and money-lending segments, which offer more reliable and stable returns. The Group also formed a new trading segment in response to the huge demand for healthcare-related products in the market.

Our efforts to prudently react to market changes and adjust key strategies have reaped the fruits of success with a significant turnaround in results. During the Year, the Group recorded revenue of approximately HK$101,716,000 (2019: HK$84,172,000), an approximately 20.84% rise in overall revenue. The Group's net profit attributable to owners of the Company increased dramatically, reaching approximately HK$44,190,000 compared with a net loss attributable to owners of the Company of approximately HK$71,651,000 in 2019.

The Group experienced a consistent improvement in operating profit from money-lending operations due to an expanded loan portfolio with higher effective interest rates. This segment generated revenue of approximately HK$55,342,000, accounting for approximately 54.41% of overall Group revenue. Moreover, the Group achieved a year-on-year turnaround from an operating loss to profit in both the financial services and assets investment segments. Remarkable improvements in financial services were mainly driven by the success of securing the participation of more margin and cash clients in a number of business transactions related to IPO margin financing. The Group's assets investment segment achieved a profit turnaround, thanks to a change of financial assets at fair value through profit or loss, and stable interest income from bond investments.

Our financial services business enjoyed remarkable improvements in terms of revenue, transaction volume and the number of margin and cash clients. Furthermore, interest income from clients accounted for substantial growth compared with last year, leading the Group's margin loan business to outperform its peers during the Year.

CHAIRMAN'S STATEMENT

The Group's money-lending business has improved with respect to application approval efficiency as well as broadening its distribution channels and establishing a wider customer base. As a consequence, the Group has secured more loan business opportunities with an increasing number of clients as well as higher numbers of loan receivables. The Group plans to expand the scope of money lending business into retail lending, E Cash Fintech Limited ("E Cash") a new wholly-owned subsidiary was incorporated during the Year, coupled with a new team of experienced staff to support its expansion into the retail lending business for corporations and individuals with smaller loan size needs. E Cash is currently creating its own website and mobile application for money lending platform and the promotion of digitalized and smart trading services will enable the Group to offer better users experience and strengthen our core competences in the fintech era. Apart from self-development in fintech area, the Group aims to form strategic partnerships with other fintech related companies and/or to acquire the shares of companies in fintech sector in order to speed up and broaden the development in these areas.

The Group's assets investment segment recorded a profit turnaround during the Year despite a reduced investment portfolio.

The Group also initiated trading operations during the Year. To this end, a subsidiary was established to focus on the trading of hygiene and healthcare products starting at the outset of the outbreak of COVID-19. This was a measure to show our commitment and corporate social responsibility to the community. This new business segment generated a considerable amount of revenue as well as operating profit for the Group.

Looking ahead, the global economy is widely anticipated to gradually recover from the current pandemic situation, following the launch of vaccination programmes worldwide. Given this scenario, the Group will continue to cautiously monitor and respond to today's ever-changing business environment, in an effort to seek new potential investment to further bolster our existing business segments and explore other business opportunities in the areas of fintech, vaccination and health check services. We will continue to work hard in every way possible to expand our revenue growth engines for the Group.

Finally, I wish to express my sincere gratitude to our shareholders and fellow Board members for their continued support and trust of the Group. I also want to extend my gratitude to our staff at all levels for their dedication and tireless efforts in serving our clients and the Group. Every day we are committed to achieving sustainable development and creating long-term value for all of our shareholders.

Choi Chun Chung, Danny
Chairman and Chief Executive Officer
19 March 2021

FINANCIAL REVIEW

For the year ended 31 December 2020 (the "Year"), Power Financial Group Limited (the "Company") and its subsidiaries (together the "Group") recorded revenue of approximately HK$101,716,000 (2019: HK$84,172,000). Approximately 20.84% of this upsurge in revenue was principally attributable to: (i) sustainable interest income from money lending business, recording an increase of approximately 14.64% compared with 2019; (ii) a significant improvement in margin financing operations with interest income from clients amounted to approximately HK$12,665,000 during the Year compared with that of approximately HK$6,117,000 in 2019, showing an increase of approximately 107.05%; and (iii) contribution of new trading of healthcare related products business of approximately HK$14,844,000 (2019: Nil).

The Group's net profit attributable to owners of the Company increased dramatically, reaching approximately HK$44,190,000 compared with the net loss of approximately HK$71,651,000 in 2019. Such turnaround from loss to profit for the Year was principally attributable to (i) a gain on the fair value changes of financial assets at fair value through profit or loss of approximately HK$22,789,000 (2019: loss of approximately HK$68,884,000); (ii) an increase in both revenue and profit in the money lending segment for the Year, and the segment profit of which for the Year amounted to approximately HK$38,604,000 (2019: HK$30,248,000); and (iii) the turnaround from loss of approximately HK$26,902,000 for the year ended 31 December 2019 to profit of approximately HK$958,000 for the Year in the financial services segment.

The Group's cash position remained strong during the Year with bank balances and cash totaling approximately HK$204,512,000 (2019: HK$389,225,000) as at 31 December 2020.

BUSINESS REVIEW

In 2020, the world economy was battered by the Coronavirus Disease 2019 ("COVID-19") pandemic. The World Bank estimates that global gross domestic product (GDP) fell 4.3% year-on-year in 2020. Suspension of travel, as well as disruptions in business, social and production activities resulted in months of unprecedented financial turmoil. Major global stock markets collapsed and unemployment rates hit record highs following the escalating number of COVID-19 infections and deaths.

Eventually, global economic activity slowly emerged from recession to recovery during the second half of 2020 as companies gradually adapted to the 'new normal' circumstances coupled with the introduction of new COVID-19 vaccines. At the local level, despite challenges brought about by COVID-19, the return of China concepts stocks and frequent record highs seen in various new economy sectors helped push stock turnover to elevated levels. According to statistics from the Hong Kong Exchanges and Clearing Limited ("HKEx"), 154 new companies were listed in Hong Kong during the Year, raising a total amount of funds of approximately HK$397.7 billion. In addition, as many countries continue to implement loose monetary policies and inject massive amounts of funds into the market, bank balances in Hong Kong surpassed the approximate HK$450 billion mark while inflows of mainland China as well as foreign capital bolstered high stock turnover. Benefitting from active market trading and the current IPO boom, the Group swiftly adjusted its operational strategy and realigned its resources to focus on interest-income businesses, which offer more reliable and stable returns, and helped us achieve a sparkling positive turnaround in results.

Financial Services

According to HKEx statistics, the average daily securities transaction volume during 2020 reached approximately HK$129.48 billion, an increase of approximately 48.56% from the average daily transaction volume of approximately HK$87.15 billion during the same period in 2019. Despite a slight year-on-year decline of approximately 3% in the number of new listed companies, the amount of funds raised through IPOs in Hong Kong stood at approximately HK$211.4 billion, up approximately 57.88% from approximately HK$133.9 billion at the same period last year. In terms of funds raised, Hong Kong still ranks second in the world.

The Group's financial services business is mainly conducted by Power Securities Company Limited ("Power Securities"), a wholly-owned subsidiary of the Company licensed to carry on Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The scope of Power Securities covers provision of margin financing, securities brokerage services, and equity capital market ("ECM") services such as placing. Recognising that investors were enthusiastic about IPO subscriptions and were keeping a close eye on new economy stocks to invest in, the Group responded in kind by actively participating in a number of business transactions related to IPO margin financing. We secured greater numbers of interested clients through authorised executive ("AEs") referrals with performance-related commissions as an incentives, as well as responsible officers ("RO") of social networks, and the Group's senior management personnel. Remarkable improvements were also seen in various aspects of the operations, in terms of revenue, transaction volume and the number of margin and cash clients. During the Year, this business segment generated revenue of approximately HK$16,425,000 (2019: HK$8,104,000), showing a dramatic increase of approximately 102.68%.

There was also a significant increase in both the number of outstanding margin loan clients as well as the amount of margin loan receivables, which were approximately 2.5 times and 10.5 times higher, respectively, than those at the beginning of the Year. Interest income from clients (comprising margin clients and cash clients) amounted to approximately HK$12,665,000 in 2020 compared with approximately HK$6,117,000 in 2019, representing an increase of approximately 107.05%. Based on these results, the Group were gratified to see that the Group's margin loan business outperformed its peers and achieved a turnaround from operating loss to profit during the Year.

Money Lending

The Group's money lending business is conducted through its wholly-owned subsidiary – E Finance Limited. ("E Finance"). The four categories of loans provided by the Group are: (i) property mortgage loans, such as first and second mortgages as well as sub-mortgages; (ii) share mortgage loans; (iii) guaranteed loans to individuals and corporations with good credit records in Hong Kong; and (iv) unsecured loans. The Group struck a successful balance by adhering to an effective comprehensive policy as well as prudent procedures relating to loan approvals, loan renewals, loan top-ups, loan recovery, loan compliance, monitoring and anti-money laundering. On the other hand, we maintained a sizable loan portfolio with healthy effective interest rates while also nurturing a strong and extensive customer base.

A more demanding business environment and tighter credit conditions in the commercial sector provided an opportunity for the Group to substantially expand its money-lending operations throughout the Year. Since 2019, licensed banks in Hong Kong have adopted more strict credit measures, such as low loan-to-value (LTV) ratios for mortgage loans, stress tests and credit scoring before granting loans. The approval time frame for a loan application is relatively long due to multi-tiered approval procedures. By contrast, E Finance has adopted a more flexible and efficient approach to application approvals while still maintaining stringent credit controls, enabling the Group to secure more opportunities throughout the Year.

An expanded loan portfolio with higher effective interest rates contributed to the on-going improvement in the Group's operating profit. As at 31 December 2020, the interest rate charged to outstanding loans ranged from 9% to 36% (2019: 9% to 30%) per annum. Interest income from the Group's money lending business during the Year amounted to approximately HK$55,342,000, showing an increase of approximately 14.64% from approximately HK$48,274,000 in 2019. Operating profit from this business segment amounted to approximately HK$38,604,000, which was approximately 27.62% higher than that of approximately HK$30,248,000 in 2019.

Backed by on-going, enhanced marketing efforts, the Group successfully connected with greater numbers of agents who referred potential loan financing opportunities, consequently allowing us to broaden the distribution channels and establish a wider and more solid customer base. Both the number of outstanding loans and amount of loans receivables had shown a growing trend from March 2020 and reached 63 (2019: 49) and approximately HK$588,818,000 (2019: HK$363,248,000) as at 31 December 2020.

During the Year, money lending business segment generated revenue of approximately HK$55,342,000, accounting for approximately 54.41% of overall revenue, and playing a major role in support of the Group's comprehensive performance.

Trading

The Group also spotted an enormous market demand for healthcare products since the outbreak of COVID-19. During the Year, the Group designated an operating subsidiary – Power Global Trading Company Limited ("Power Global Trading") to oversee trading activities. A new team was formed specifically in response to meet the desperate needs of both the local community and overseas markets. Power Global Trading was actively involved in trading hygiene products, including surgical face masks, hand sanitizers and alcohol sprays. This new business segment contributed revenue of approximately HK$14,844,000 and generated an operating profit of approximately HK$386,000 for the Year.

Assets investment

The Group's assets investment segment comprises a portfolio of bonds, funds and securities investments. During the Year, the Group reduced the size of its investment portfolio in order to reserve or reallocate greater resources and funding to better performing business activities, including margin financing and money lending operations. Despite this, the Group still achieved a turnaround from operating loss to profit for this segment, which was mainly due to the gain on fair value changes of financial assets at fair value through profit or loss, and stable interest income from bond investments.

In terms of bond investments, the Group retained a certain number of listed bonds in order to generate stable and fixed interest income. Overall the Group downsized its bond investments against the backdrop of worsening market sentiment, bond price adjustments and the past default history of certain bonds during the Year. The Group's bond portfolio totaled a fair value of approximately HK$102,304,000 as at 31 December 2020. During the Year, interest income from bond investments amounted to approximately HK$15,105,000, representing a decrease of approximately 45.65% compared to approximately HK$27,794,000 in 2019.

Looking at fund investments, the Group has interests in four unlisted, close-ended funds and will continue to hold them until their respective maturity dates or in the event of any early fund redemption. The Group's designated investment team regularly monitors the underlying performance of fund investments through regular updates from fund administrators as well as discussions with fund managers.

On the securities investment front, the Group invested in a number of Hong Kong listed securities. The Group has a designated investment team in place to monitor and assess securities investments on a regular basis. The Group will actively change the securities holdings in response to the Group's future investment strategies, general market conditions and the performance and business prospects of the related listed companies.

Significant investments

As at 31 December 2020, the Group's financial assets at fair value through profit or loss amounted to approximately HK$294,903,000 (2019: HK$249,128,000), including (a) equity securities of approximately HK$227,759,000 (2019: HK$150,673,000); (b) unlisted investment funds of approximately HK$67,144,000 (2019: HK$86,750,000); and (c) listed bond investments of approximately HK$Nil (2019: HK$11,705,000) respectively.

As at 31 December 2020, the Group's portfolio of financial assets at fair value through profit or loss comprised (a) 17 equity securities listed in Hong Kong; and (b) 4 unlisted investment funds. For the 17 listed equity securities, 16 of which accounted for approximately 3.69% of the Group's audited consolidated total assets as at 31 December 2020 and the remaining 1 accounted for approximately 11.96% of the Group's audited consolidated total assets as at 31 December 2020. For the 4 unlisted investment funds, each of which accounted for approximately 0.25% to 2.56% of the Group's audited consolidated total assets as at 31 December 2020.

As at 31 December 2020, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK$102,304,000 (2019: HK$307,320,000), all of which are listed bond investments.

As at 31 December 2020, the Group's portfolio of financial assets at fair value through other comprehensive income comprised 17 bond investments listed in Hong Kong or Singapore, each of which accounted for approximately 0.11% to 1.07% of the Group's audited consolidated total assets as at 31 December 2020.

The Directors considered that investments with a carrying amount that account for more than 5% of the Group's audited consolidated total assets as at 31 December 2020 as significant investments.

Financial assets at fair value through profit or loss

Description of investments	Brief description of the business	Fair value of investments as at 31 December 2020 (HK$'000)	Fair value of investments as at 31 December 2019 (HK$'000)	Number of shares held as at 31 December 2020 ('000)	Number of shares held as at 31 December 2019 ('000)	Approximate percentage of shareholding in the investee as at 31 December 2020	Approximate percentage of shareholding in the investee as at 31 December 2019	Approximate percentage of the Group's audited consolidated net assets as at 31 December 2020	Approximate percentage of the Group's audited consolidated net assets as at 31 December 2019	Dividends received during the Year (HK$'000)	Interest income during the Year (HK$'000)	Realised gain during the Year (HK$'000)	Unrealised gain/(loss) during the Year (HK$'000)
Significant investments													
Listed securities investments in Hong Kong													
Town Health International Medical Group Limited ("Town Health") (stock code: 3886)	Provision of medical and dental services in Hong Kong; managing healthcare networks and provision of third party medical network administrator services in Hong Kong; provision of medical and dental services, 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	**174,089**	134,952	**674,762**	674,762	**8.97%**	8.97%	**12.24%**	9.75%	–	–	–	39,137
Other investments													
Other listed securities investments*		**53,670**	15,721							183	–	5,499	(4,287)
Unlisted investment funds#		**67,144**	86,750							–	–	–	(17,594)
Listed bond investments		**–**	11,705							–	53	34	–
Grand total for the financial assets at fair value through profit or loss		**294,903**	249,128							183	53	5,533	17,256

* Other listed securities investments mainly comprise the Group's investments in 16 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 audited consolidated total assets as at 31 December 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	Fair value of investments as at 31 December 2020 (HK$'000)	Fair value of investments as at 31 December 2019 (HK$'000)	Interest income during the Year (HK$'000)	Loss on disposal during the Year (HK$'000)	Fair value changes recognised through other comprehensive income during the Year (HK$'000)
Listed bond investments*	**102,304**	307,320	15,052	(1,418)	(6,346)
Grand total for the financial assets at fair value through other comprehensive income	**102,304**	307,320	15,052	(1,418)	(6,346)

* The bond investments comprise 17 different bonds listed in Hong Kong or Singapore. 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.

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 31 December 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 31 December 2020; and the fair value of such investment was approximately HK$174,089,000, representing approximately 11.96% of the Group's audited consolidated total assets as at 31 December 2020 and approximately 12.24% of the Group's audited consolidated net assets as at 31 December 2020.

During the Year, no dividend was received by the Group from Town Health and the Group recorded a fair value gain of approximately HK$39,137,000 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 interim report for the six months ended 30 June 2020 published on 11 September 2020. The latest updates on the financial performance of Town Health are disclosed in the Town Health's announcement of profit warning dated 11 February 2021.

As disclosed in previous announcements of Town Health as published in the website of the Stock Exchange, Town Health had been communicating with the Securities and Futures Commission ("SFC") on the resumption application made by Town Health under section 9 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (the "SMLR"). At the request of the SFC, a reputable independent consultant (as agreed by the SFC) had been engaged to conduct a review of Town Health's internal control. Such review had been completed and a report (the "IC Report") had been issued to Town Health and the SFC.

The SFC had considered the IC Report and other documents and information submitted by Town Health and the SFC has, by notice to the Stock Exchange and pursuant to section 9(3) of the SMLR, permitted the dealings in the shares of Town Health to recommence subject to the resumption conditions as disclosed in the announcement of Town Health dated 26 February 2021.

The SFC has permitted dealings in the shares of Town Health to recommence pursuant to section 9(3) of the SMLR with effect from 9:00 a.m. on 1 March 2021.

BUSINESS OUTLOOK

Global economic fundamentals look to be in better shape in 2021. Various COVID-19 vaccination programmes have been launched in several countries, signs of hope are starting to emerge, which will help support a solid economic recovery. An economic turnaround will also help bolster a business rebound as well as increase profits, which will play a key role in supporting the development of the Hong Kong stock market. Furthermore, Hong Kong's low interest rate environment looks set to continue, which is expected to promote investments in various enterprises and enhance market liquidity, further stimulating economic recovery. In addition, in lockstep with the growth of the economy, the business market will become more active, which will stimulate the demand for loans.

The current Sino-US trade dispute has created a great deal of economic uncertainty. This coupled with America's sanctions on Chinese companies will inevitably accelerate the pace of return of major China companies back to the Stock Exchange, which will serve as a growth engine for the IPO market. As such, according to PwC Hong Kong could regain the top position for most funds raised among global IPO fundraising markets in 2021.

Hong Kong and mainland China have enjoyed mutually close ties for decades and mainland investors prefer Hong Kong stock market as their investment destination. The Territory's stock market trading is dynamic, helping to fuel an increase in net capital inflows. As mainland funds continue to stream in and support the Hong Kong stock market, this will help strengthen its cooperation with China. Gradually expanding the scope of "interconnected" stocks and speeding up the implementation of the "Cross Border Financing Link" will significantly help boost market trading sentiment. This, in turn, will benefit the development of Hong Kong stock market and provide the local financial sector greater room for development.

MANAGEMENT DISCUSSION AND ANALYSIS

Power Securities' financial services segment closely adheres to the compliance and risk-based measures detailed in its operation manual and will continue to source additional revenue and broaden the customer base for its margin financing operations. The Group will further expand its business by hiring licensed representatives dismissed by small- and mid-sized brokerage firms which have closed down, with a view that such licensed representatives can help carry over their existing customer base to the Group. Bolstered by sufficient cash reserves, the Group may seek to leverage business connections between the AEs of Power Securities and AEs/ROs of small- and mid-sized brokerage firms in order to obtain additional referrals of margin financing clients from these companies. On the other hand, the Group will also leverage its broad social networks to introduce potential customers to existing and newly joined AEs with attractive remuneration packages and commission rebates to take advantage of their in-depth client relationships and thus capture more transactions. Furthermore, the Group aims to migrate into the IPO margin financing business. In October 2020, the Group made arrangements with a licensed bank to provide IPO financing facilities, which will be used for IPO margin financing to clients. With the adoption of a more aggressive development strategy and continue recruiting talents to expand the client base, the Group is poised to expand its horizons and scale new heights in the years to come.

The Group will also revamp its ECM business by building a research and analysis team with solid academic backgrounds in finance as well as experience in applying corporate finance analytical techniques to review and select the best quality and most profitable ECM deals in order to maximise opportunities and secure greater business deals where possible. The Group anticipates that ECM business will become a solid source of revenue to complement other business sectors of the Group.

The Group plans to expand the scope of money lending business into retail lending and project financing. For retail lending, a new wholly-owned subsidiary – E Cash Fintech Limited ("E Cash"), was incorporated on 31 July 2020, and obtained a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) on 8 December 2020. The Group will also employ a new team of experienced staff to support its expansion into the retail lending business for corporations and individuals with smaller loan size needs. Under this scenario, E Finance itself can concentrate on first mortgage loans, sub-mortgage loans, as well as corporate and individual loans involving larger loan amounts. Stringent scrutiny and a thorough credit assessment will be applied for each single loan approval. For project financing, the Group seeks to offer project financing services to its customers based on feasibility studies, including but not limited to, the cash flow generated at the end of a project while at the same time using the assets, rights, and interests of the concerned projects as collateral.

To help optimize the efficiency of money lending procedures, the Group will upgrade its loan management system to better monitor and manage loan portfolios as well as improve overall efficiency in loan operations. E Cash is currently creating its own website and mobile application for money lending platform, which is expected to be released and in use during the second half of 2021. The promotion of digitalized and smart trading services will enable the Group to offer better users experience and strengthen our core competences in the fintech era.

The Group's trading segment aims to enlarge its customer base and product list. To this end, the Group will negotiate with domestic and overseas suppliers for exclusive distribution of a range of healthcare-related products. Moreover, the Group will also seek to expand distribution channels for the Group's products on a consignment basis via online sales platforms and through co-operation with local retail outlets.

The Group will also continue to cautiously monitor the business environment and market conditions as they relate to assets investment business operations. The Group will work towards prudently securing and managing new market opportunities by leveraging the low interest rate environment in Hong Kong, carefully reviewing investment policies and procedures, and looking to rationally adjust the direction of the Group's bond investments.

The economy is widely anticipated to recover slowly from the current COVID-19 pandemic. For this reason, the Group will closely monitor the changing business environment and seek out opportunities for long-term sustainable and steady growth. Furthermore, we will carefully pursue all potential viable investment and business opportunities to further develop existing business segments while also expanding the customer base as well as deepening relationships with current customers. In addition, the Group will increase its competitive edge by building a team of talented people with extensive experience and professional knowledge in order to bring about a new company dynamic that will spur revenue growth and create more value for the shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2020, the Group held bank balances and cash of approximately HK$204,512,000 (2019: HK$389,225,000). Net current assets amounted to approximately HK$1,245,863,000 (2019: HK$1,034,024,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 41.14 times (2019: 21.44 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 2.33% (2019: 3.54%).

As at 31 December 2020, the Group had outstanding borrowings of approximately HK$Nil (2019: HK$20,800,000). As at 31 December 2019, the borrowings were unsecured and carried interest at 7% per annum and repayable in accordance with the relevant loan note certificates. As the Group's bank balances and cash and borrowings were mainly denominated in Hong Kong dollars and United States dollars, there is no material risk in exchange rate fluctuation.

CHARGES ON THE GROUP'S ASSETS

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

CAPITAL COMMITMENT

Details of capital commitment are stated in Note 32 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed 29 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.

EXECUTIVE DIRECTORS

Mr. Choi Chun Chung, Danny, aged 59, appointed as the chairman of the Board, a non-executive Director, the chairman of the nomination committee of the Board ("Nomination Committee") and a member of the remuneration committee of the Board ("Remuneration Committee") on 3 November 2017. Mr. Choi has been re-designated as an executive Director and appointed as the chief executive officer of the Company with effect from 2 January 2019 and continues to act as the chairman of the Board, the chairman of Nomination Committee and a member of Remuneration Committee. He is also a director of various subsidiaries of the Company.

Mr. Choi is currently a Chinese People's Political Consultative Conference member of the Guangxi Zhuang Autonomous Region, PRC, the permanent chairman of the Federation of HK Guangxi Qinzhou Organizations Limited, the vice-chairman of the Federation of HK Guangxi Community Organizations, the honorary chairman of Hong Kong Sanshui Association and the honorary chairman of the Yuen Long Sports Association.

Mr. Choi has extensive experience in the wholesaling of diamonds and jewellery. He was employed by Wing Hang Company from 1979 to 1990. Wing Hang Company was principally engaged in wholesaling of diamonds and jewellery in Hong Kong. Since 1991, he has been a director of Diamond Outline Limited whose business includes wholesaling of diamonds and jewellery products worldwide.

Mr. Siu Kam Chau, aged 56, was appointed as an executive Director with effect from 29 April 2020. He is also the company secretary of the Company and a director of a number of subsidiaries of the Company. He joined the Group in 2006.

Mr. Siu has over 31 years of working experience in auditing, accounting, company secretarial and corporate finance. Mr. Siu is currently an independent non-executive director of Wang On Group Limited (stock code: 1222) and Deson Development International Holdings Limited (stock code: 262), both of which are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Siu graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Public Accountant (practising) in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chan Kar Yin, Polly, aged 60, has been appointed as an independent non-executive Director and a member of each of the audit committee of the Board ("Audit Committee"), the Remuneration Committee and the Nomination Committee with effect from 29 April 2020.

Ms. Chan has extensive working experience in organizing, executing, implementing large scale fund raising events and projects. Ms. Chan was employed from 2003 to 2019 by Yan Oi Tong, one of the six largest charitable organisations in Hong Kong, with her last position as the chief executive officer.

Ms. Chan graduated from the Hong Kong Shue Yan University with a Diploma in Journalism and the University of South Australia with a Master's degree in Business Administration.

Mr. Chiu Ka Wai, Ellis, aged 57, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee with effect from 29 April 2020.

Mr. Chiu has extensive working experience in public service. Mr. Chiu was employed from 1986 to 2019 by the Immigration Department of the Hong Kong Government. Mr. Chiu is currently an immigration/legal consultant for Reliable Talent Consultants Limited and Asia 4 Domestic Helper Limited.

Mr. Kwok Sze Kong, aged 51, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee with effect from 12 May 2020.

Mr. Kwok is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Public Accountant (practising) in Hong Kong. He is also a certified financial planner of the Institute of Financial Planners of Hong Kong, a financial risk manager of the Global Association of Risk Professionals and a chartered financial analyst of the CFA Institute. Mr. Kwok has over 26 years of working experience in investment and professional firms. He was the chief investment officer and responsible officer of Decode Asset Management (Hong Kong) Company Limited, a director of Sun Growth Securities Limited and the managing director of Sino Wealth Asset Management Limited.

Mr. Kwok graduated from the University of Hong Kong with a degree of Bachelor of Social Sciences and Heriot-Watt University with a degree of Master of Business Administration.

SENIOR MANAGEMENT

Mr. Tsang Yan Kwong, aged 55, currently a director and the Chief Executive Officer of E Finance Limited and E Cash Fintech Limited, both are subsidiaries of the Company. He joined the Group in October 2020. Mr. Tsang has extensive experience in the finance field through his working experience in finance sector for over 30 years specialising in money lending industry. Mr. Tsang obtained a master degree of Business from the University of Newcastle, Australia and a diploma in Management Studies jointly from Lingnan University, Hong Kong and The Hong Kong Management Association.

Mr. Leung Wai Hung, aged 46, currently the Chief Lending Operation Officer of E Finance Limited and E Cash Fintech Limited, both are subsidiaries of the Company. He joined the Group in October 2020. He has over 20 years' extensive experience in banking and finance field. Mr. Leung obtained a bachelor degree of Business Administration (with honours) from Lingnan University, Hong Kong and a master degree of Corporate Finance from The Hong Kong Polytechnic University. Mr. Leung is also an associate member of The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries.

Mr. Ho Chun Kit, aged 46, currently a director and the Chief Operation Officer of Power Securities Company Limited ("Power Securities"), a subsidiary of the Company. He joined the Group in October 2014. He is currently licensed with Securities Futures Commission as a responsible officer of Power Securities for Type 1 (dealing in securities). Mr. Ho holds a bachelor's degree in Business Administration conferred by Lingnan University, Hong Kong. He also obtained the Certified Financial Planner certification in 2008. Mr. Ho has over 23 years of experience in the financial services industry. His experience covers areas of back office settlement, front office dealing, internal control, compliance and risk management.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Power Financial Group Limited (the "Company") present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in Note 36 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance by principal activities and geographical locations of operations for the Year is set out in Note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 44 and 45 of this annual report. The financial positions of the Company and of the Group as at 31 December 2020 are set out in the Note 39(a) to the consolidated financial statements and on pages 46 and 47 of this annual report respectively.

The Directors do not recommend the payment of a dividend for the Year (2019: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the last five financial years is set out on page 142 of this annual report.

DONATIONS

Charitable donations made by the Group during the Year amounted to HK$Nil (2019: HK$10,000).

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2020 are set out in Note 36 to the consolidated financial statement.

BUSINESS REVIEW

A review of the Group's business during the Year are set out in "Management Discussion and Analysis" on pages 5 to 14 of this annual report.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Group is committed to supporting the environmental sustainability. It enhances the business sustainability by doing well for our customers and to provide them with security and reliable services. It also operates the business with the highest standard of corporate governance, caring the staff and protecting the environment. In recent years, the Group has implemented several policies to encourage employees for saving energy and paper. All these policies aim at reducing resources and saving costs which are beneficial to the environment and meet the commercial goals of the Group. During the Year, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group as far as the Board is aware. The Company understands that employees, customers and suppliers are key elements to the success of the Group's business. The Group provides competitive remuneration package to motivate and retain quality staff and the Group is committed to maintaining a safe and healthy workplace for our staff. The Group has established good relationship with customers and suppliers which will enable the Group to achieve its business goals. A report on the environmental, social and governance aspects is prepared in accordance with Appendix 27 to the Listing Rules to be issued within three months after the publication of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in Note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company ("Shareholders").

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

During the Year, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company.

RESERVES

Details of movements in the reserves of the Group during the Year are set out on pages 48 and 49 of this annual report.

Details of movements in the reserves of the Company during the Year are set out in Note 39(b) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company had no reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda (as amended). The contributed surplus may only be distributable in certain circumstances.

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the five largest customers in aggregate accounted for approximately 17.51% of the turnover of the Group. The largest customer accounted for approximately 5.11% of the turnover of the Group.

For the principal activities of the Group, including financial services business, money lending business and assets investment, there is no major supplier due to the nature of such businesses. For the trading business newly-commenced during the Year, there was only one supplier which accounted for 100% of total purchases during the Year.

As far as the Directors are aware, none of the Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest at any time during the Year in any of the Group's five largest account executives and customers.

BORROWINGS

Details of borrowings of the Group are set out in Note 26 to the consolidated financial statements.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 December 2020 are set out in Note 38 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the Year and up to the date of this report are:

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	
Ms. Chan Kar Yin, Polly	(appointed with effect from 29 April 2020)
Mr. Chiu Ka Wai, Ellis	(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)

In accordance with bye-law 99 of the bye-laws of the Company and to comply with the requirements of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Mr. Choi Chun Chung, Danny and Mr. Chiu Ka Wai, Ellis will retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election at the AGM.

The biographical details of the Directors as at the date of this annual report are set out in "Profiles of Directors and Senior Management" on pages 15 to 17 of this annual report.

EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of Directors and Chief executive are set out in Note 11 to the consolidated financial statements. The Directors' remuneration package is determined by the remuneration committee of the board of Directors (the "Board") with reference to their responsibilities, the Company's remuneration policy and the prevailing market conditions.

Details of emoluments of five highest paid individuals of the Group are set out in Note 12 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 35 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors nor their respective close associates had an interest in a business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business during the Year that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

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

As at 31 December 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 Directors	Capacity	Number of shares of the Company	Number of share options	Total Interests	Approximate % of the issued share capital of the Company as at 31 December 2020 (Note 1)
Mr. Choi Chun Chung, Danny ("Mr. Choi") (Note 2)	Interest of 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 31 December 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 the issued share capital of the Company is calculated with reference to the Company's number of shares in issue as at 31 December 2020.

(2) Mr. Choi was interested in, through a corporation controlled by him, 28,000,000 shares of the Company.

SHARE OPTION SCHEME

2013 Share Option Scheme

The existing share option scheme was approved and adopted by the Shareholders 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 the shares of the Company. As at the date of this report, the total number of share options available for issue was 206,511,273 shares (representing approximately 7.42% of the issued shares of the Company as at 19 March 2021, being the date of this report.

Particulars of the 2013 Share Option Scheme and details of movements of share options during the Year are set out in Note 29 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Save for the share option schemes of the Group as set out under the section headed "Share Option Scheme" of this report, no equity-linked agreements were entered into by the Group, or existed during the Year.

PERMITTED INDEMNITY PROVISION

The bye-laws of the Company provide that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty. The relevant bye-law was in force during the Year and as at the date of this report. The Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the directors and officers of the Company and its subsidiaries.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the Directors or chief executive of the Company or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 31 December 2020, the following persons (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 31 December 2020 (Note 1)
China Mobile Games and Entertainment Group LTD.	Beneficial owner	176,994,000 (Note 2)	6.36%
Pro First International Corporation (Note 3)	Beneficial owner	794,480,000	28.54%
Mr. Yang Lijun (Note 3)	Interest of a controlled corporation	794,480,000	28.54%

Save as disclosed above, as at 31 December 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.

Notes:

(1) The percentage of the issued share capital of the Company is calculated with reference to the Company's number of shares in issue as at 31 December 2020.

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

(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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the corporate governance report on pages 26 to 37 of this annual report.

AUDITOR

On 20 December 2017, BDO Limited ("BDO") had been appointed as auditor of the Company to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu.

The consolidated financial statements for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 were audited by BDO.

On 20 November 2020, CCTH CPA Limited ("CCTH") had been appointed as auditor of the Company to fill the casual vacancy following the resignation of BDO, who will retire at the forthcoming annual general meeting of the Company ("AGM") and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of CCTH as the auditor of the Company is to be proposed at the AGM.

The consolidated financial statements for the year ended 31 December 2020 were audited by CCTH.

Save for the above, there has been no other change in the auditor of the Company in any of the preceding three years.

On behalf of the Board

Choi Chun Chung, Danny
Chairman and Chief Executive Officer
19 March 2021

CORPORATE GOVERNANCE REPORT

The board of directors (the "Directors") of Power Financial Group Limited (the "Company") is committed to maintaining a good corporate governance standard. The board of Directors (the "Board") believes that a good corporate governance standard will provide a framework for the Company and its subsidiaries (the "Group") to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders (the "Shareholders") and creditors of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company endeavours in maintaining good corporate governance for the enhancement of shareholder's value. The Company has applied the principles and complied with all the applicable code provisions in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2020 (the "Year") save for the deviation from code provision A.2.1 while such deviation is explained in the relevant paragraph below of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 Year.

BOARD OF DIRECTORS

As at the date of this report, the Board is comprised of five Directors including two executive Directors and three independent non-executive Directors. The biographical details of the Directors are set out in "Profiles of Directors and Senior Management" on pages 15 to 17 of this annual report.

The Board held seven meetings during the Year. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. The executive Directors are delegated with the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The independent non-executive Directors provide their professional advices to the Group whenever necessary. The management, under the leadership of the Board, will be empowered to implement the Group's strategies and business objectives.

Composition of the Board, including names of the independent non-executive Directors, is disclosed in all corporate communications to Shareholders. An updated list of Board members identifying their roles and functions is maintained on the websites of the Stock Exchange and the Company.

All the Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice in appropriate circumstances, at the expense of the Company. The Company will, upon request, provide separate independent professional advice to the Directors to assist them to discharge their duties to the Company. The Company has arranged appropriate insurance cover for the Directors.

The attendance of each Director at the Board meetings and the general meeting of the Company during the Year are set out below:

Name of Directors	Number of meetings attended/eligible to attend Board Meeting	General Meeting
Executive Directors		
Mr. Choi Chun Chung, Danny *(Chairman and Chief Executive Officer)*	7/7	1/1
Mr. Siu Kam Chau (appointed with effect from 29 April 2020)	4/4	1/1
Mr. Sit Sai Hung, Billy (resigned with effect from 29 April 2020)	3/3	0/0
Independent non-executive Directors		
Ms. Chan Kar Yin, Polly (appointed with effect from 29 April 2020)	4/4	1/1
Mr. Chiu Ka Wai, Ellis (appointed with effect from 29 April 2020)	4/4	1/1
Mr. Kwok Sze Kong (appointed with effect from 12 May 2020)	4/4	1/1
Mr. Wong Kun To (resigned with effect from 29 April 2020)	3/3	0/0
Mr. Chu Hau Lim (resigned with effect from 29 April 2020)	1/3	0/0
Ms. Lim Xue Ling, Charlene (resigned with effect from 12 May 2020)	3/3	0/0

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Year, the Directors participated in the following trainings:

Name of Directors	Reading written training materials, newspapers/updates relating to the Listing Rules, general business or other relevant topics/ seminar
Executive Directors	
Mr. Choi Chun Chung, Danny	✓
Mr. Siu Kam Chau	✓
Independent non-executive Directors	
Ms. Chan Kar Yin, Polly	✓
Mr. Chiu Ka Wai, Ellis	✓
Mr. Kwok Sze Kong	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the Year, Mr. Choi Chun Chung, Danny ("Mr. Choi") assumed the roles of both chairman of the Board (the "Chairman") and chief executive officer of the Company (the "Chief Executive Officer").

Although Mr. Choi's acting as the Chairman and the Chief Executive Officer concurrently deviates from the code provision A.2.1 of the CG Code, 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 and the Chief Executive Officer 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to rule 3.10 of the Listing Rules, the Company has three independent non-executive Directors, one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual written confirmation of independence from each of the independent non-executive Directors pursuant to the independence guidelines set out in rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent.

During the Year, each of the independent non-executive Directors was appointed for a specific term of one year and is subject to retirement by rotation at least once every three years. Retiring Directors are eligible for re-election at the annual general meetings of the Company.

REMUNERATION COMMITTEE

The Board has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference in accordance with the provisions set out in the CG Code. The principal duties of the Remuneration Committee are, taking into consideration of the company's operation results, individual performance and comparable market statistics to formulate the Company's remuneration policy and recommend remuneration packages for the Directors and senior management of the Company to the Board for approval. The Company's remuneration policy is to provide a competitive level of remuneration in accordance with current market conditions to attract and motivate the Directors and staff for their contribution.

As at the date of this annual report, the Remuneration Committee comprises one executive Director, Mr. Choi Chun Chung, Danny and three independent non-executive Directors, namely Mr. Chiu Ka Wai, Ellis (the chairman of the Remuneration Committee), Ms. Chan Kar Yin, Polly and Mr. Kwok Sze Kong.

The Remuneration Committee held three meetings during the Year. During the Year, the Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management of the Group and recommended remuneration packages of the Directors and senior management of the Company to the Board.

The attendance of each member of the Remuneration Committee at the meetings during the Year is set out below:

Committee members	Number of meeting attended/eligible to attend
Mr. Chiu Ka Wai, Ellis *(Chairman of the Remuneration Committee)* (appointed with effect from 29 April 2020)	2/2
Mr. Choi Chun Chung, Danny	3/3
Ms. Chan Kar Yin, Polly (appointed with effect from 29 April 2020)	2/2
Mr. Kwok Sze Kong (appointed with effect from 12 May 2020)	2/2
Mr. Wong Kun To (resigned with effect from 29 April 2020)	1/1
Mr. Chu Hau Lim (resigned with effect from 29 April 2020)	0/1
Ms. Lim Xue Ling, Charlene (resigned with effect from 12 May 2020)	1/1

Remuneration of senior management of the Company by band

Pursuant to code provision B.1.5 of the CG Code, the remuneration of senior management of the Company by band for the Year is set out below:

Remuneration band (in HK$)	Number of individuals
HK$Nil – HK$1,000,000	3

Further particulars regarding Directors' emoluments and five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Notes 11 and 12 to the consolidated financial statements, respectively.

NOMINATION COMMITTEE

The Board has established a nomination committee (the "Nomination Committee") with specific written terms of reference in accordance with the provisions set out in the CG Code. The principal duties of the Nomination Committee are to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board, to make recommendation on proposed changes to the Board, and to assess the independence of the independent non-executive Directors, as well as reviewing the board diversity policy and the nomination policy.

In August 2013, the Board adopted a board diversity policy (the "Board Diversity Policy") and the terms of reference of the Nomination Committee was updated. The Nomination Committee is responsible for reviewing and assessing the Board's composition. In reviewing the Board's composition, the Nomination Committee will consider a number of aspects of the Board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

On 31 December 2018, the Board adopted a nomination policy (the "Nomination Policy") and the terms of reference of the Nomination Committee was updated. The Nomination Policy sets out the criteria for and process and procedures of nomination of Directors. In accordance with the Nomination Policy, in evaluation and selecting a candidate for acting as a Director, the criteria to be considered include:

1. gender, age, cultural, ethnicity, skills, knowledge, experience, expertise, professional and educational background and other personal qualities of the candidate;

2. effect on the board's composition and diversity;

3. commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;

4. potential/actual conflicts of interest that may arise if the candidate is selected;

5. independence of the candidate, where appropriate;

6. in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served; and

7. other factors considered to be relevant by the Nomination Committee on a case by case basis.

The nomination policy also sets out the nomination process and procedures, including but not limited to:

1. the Committee identifies or selects candidates recommended to the Board, with or without assistance from external agencies or the Company, pursuant to the criteria set out above;

2. the Committee may use any process it deems appropriate to evaluate the candidates, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references;

3. the Committee will hold a physical meeting to consider the matter and avoid the making of decisions by written resolutions unless it is impractical that a physical meeting be held;

4. the Committee provides to the Board with all the information required including information set out in Rule 13.51(2) of the Rules Governing the Listing of Securities on the Listing Rules in relation to the candidates;

5. the Committee makes recommendation to the Board including the terms and conditions of the appointment;

6. the Board deliberates and decides on the appointment based upon the recommendation of the Committee. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting;

7. all appointments of Director should be confirmed by letter of appointment setting out the key terms and conditions of the appointment of the Directors, which should be approved by the Committee; and

8. pursuant to Rule 13.74 of the Listing Rules, where shareholders are required to vote on electing or re-electing a director, the circular accompanying the notice of the relevant general meeting should contain all the information of the candidates required under Rule 13.51(2) of the Listing Rules.

As at the date of this annual report, the Nomination Committee comprises one executive Director, Mr. Choi Chun Chung, Danny (the chairman of the Nomination Committee) and three independent non-executive Directors, namely Ms. Chan Kar Ying, Polly, Mr. Chiu Ka Wai, Ellis and Mr. Kwok Sze Kong. Throughout the Year, the Company had met the code provision A.5.1 of having a majority of the committee members being independent non-executive Directors and having the committee chaired by the chairman of the Board.

The Nomination Committee held two meetings during the Year. During the Year, the Nomination Committee reviewed the structure, size, composition and diversity of the Board, recommended to the Board on the appointment of Directors and the re-election of all retiring Directors at the annual general meeting of the Company held on 19 June 2020.

The attendance of each member of the Nomination Committee at the meetings during the Year is set out below:

Committee members	**Number of meeting attended/eligible to attend**
Mr. Choi Chun Chung, Danny *(Chairman of the Remuneration Committee)*	2/2
Ms. Chan Kar Yin, Polly (appointed with effect from 29 April 2020)	0/0
Mr. Chiu Ka Wai, Ellis (appointed with effect from 29 April 2020)	0/0
Mr. Kwok Sze Kong (appointed with effect from 12 May 2020)	0/0
Mr. Wong Kun To (resigned with effect from 29 April 2020)	2/2
Mr. Chu Hau Lim (resigned with effect from 29 April 2020)	1/2
Ms. Lim Xue Ling, Charlene (resigned with effect from 12 May 2020)	2/2

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee") with specific written terms of reference in accordance with the provisions set out in the CG Code. The principal duties of the Audit Committee is to consider the appointment and remuneration of the external auditors, to monitor the integrity of the Group's financial statements with focus on the changes in accounting policies and practices, major judgmental areas, significant audit adjustments, going concern assumptions, and compliance with accounting standards, the Listing Rules and other applicable legal requirements, and to review the Group's financial reporting system, risk management and internal control procedures.

As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Kwok Sze Kong (the chairman of the Audit Committee), Ms. Chan Kar Yin, Polly and Mr. Chiu Ka Wai, Ellis.

The Audit Committee held four meetings during the Year. During the Year, the Audit Committee reviewed the Group's audited consolidated financial statements for the year ended 31 December 2019 and the unaudited consolidated financial information for the six months ended 30 June 2020 respectively, discussed audit scope and findings with the Company's independent auditor, reviewed the Group's financial reporting system, risk management and internal control system and the effectiveness of internal audit function, and made recommendation to the Board regarding appointment and remuneration of the external auditor, discuss with the external auditor regarding audit planning. In the meeting of the Audit Committee of March 2021, the Audit Committee reviewed the Group's audited consolidated financial statements for the Year prior to recommending them to the Board for approval and discussed the internal audit report and other supporting document for the review of risk management and internal control systems and the effectiveness of internal audit function.

The attendance of each member of the Audit Committee at the meetings during the Year is set out below:

Committee members	**Number of meeting attended/eligible to attend**
Mr. Kwok Sze Kong *(Chairman of the Audit Committee)* (appointed with effect from 12 May 2020)	3/3
Mr. Chiu Ka Wai, Ellis (appointed with effect from 29 April 2020)	3/3
Ms. Chan Kar Yin, Polly (appointed with effect from 29 April 2020)	3/3
Mr. Wong Kun To (resigned with effect from 29 April 2020)	1/1
Mr. Chu Hau Lim (resigned with effect from 29 April 2020)	1/1
Ms. Lim Xue Ling, Charlene (resigned with effect from 12 May 2020)	1/1

CORPORATE GOVERNANCE FUNCTION

The Board is collectively responsible for performing the corporate governance duties with written terms of reference which include the applicable code provisions as set out in the CG Code. During the Year, the Board reviewed and monitored the training and continuous professional development of the Directors and senior management of the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report and the policy on compliance with legal and regulatory requirements.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's auditor, CCTH CPA Limited, for their audit services and non-audit services for the Year are set out as follows:

	Fees paid/ payable HK$'000
Audit services	
Audit for the Year	820
Non-audit services	
Review of interim financial information	80
Total	900

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the Year. The Directors have prepared the consolidated financial statements of the Group on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to the relevant statutory requirements.

The auditor's responsibilities are set out in the Independent Auditor's Report on pages 38 to 43 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year, the Board, through the Audit Committee, conducted an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

During the Year, the Group appointed BT Corporate Governance Limited ("BTCG") to:

– assist in identifying and assessing the risks of the Group through interviews; and

– independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by BTCG to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of BTCG as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the Securities and Futures Ordinance. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

Enterprise Risk Management Framework

The Group has established its enterprise risk management framework since 2017. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. The risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversights risk management and internal audit functions.

Risk Control Mechanism

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by BTCG. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The risk management activities are performed by management on an ongoing process. The effectiveness of the risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

COMMUNICATION WITH SHAREHOLDERS

The Company provides information in relation to the Group to the Shareholders in a timely manner through a number of formal channels, including interim and annual reports, announcements and circulars. Such published documents together with the corporate information of the Group are also available on the Company's website.

During the Year, separate resolutions were proposed at the general meetings of the Company for each substantial issue, including the re-election of Directors.

The chairman of the general meetings of the Company explained the procedures for conducting a poll at the beginning of each general meeting of the Company held during the Year. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

During the Year, there were no amendments made to the constitutional documents of the Company. The latest version of Memorandum of Association and New Bye-laws of the Company is available on the websites of the Stock Exchange and the Company.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary"), Mr. Siu Kam Chau, is a full time employee of the Group and has day-to-day knowledge of the Group's affairs. During the Year, the Company Secretary has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene a general meeting

1. The Shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times may by written requisition deposit at the Company's head office at Room 102, 1/F., Energy Plaza, No. 92 Granville Road, Tsimshatsui East, Kowloon, Hong Kong, for the attention to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

2. The written requisition must state the purposes of the meeting, and must be signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

3. The signatures and the requisition will be verified by the Company's Hong Kong branch share registrar and transfer office. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within twenty-one (21) days from the date of deposit of such requisition.

4. If the Board does not within twenty-one (21) days from the date of the deposit of a valid requisition, proceed duly to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. In addition, such meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Shareholders' Enquiries

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited.

Shareholders may send written enquiries to the Company, for the attention of the Board or the Company Secretary, by email: contact@powerfinancial.com.hk, fax: (852) 2270 6611, or mail to Room 102, 1/F., Energy Plaza, No. 92 Granville Road, Tsimshatsui East, Kowloon, Hong Kong. Shareholders may call the Company at (852) 2270 6600 for any assistance.

Procedures for Shareholders to put forward proposals

1. The Shareholders holding not less than one-twentieth (1/20) of the total voting rights of those Shareholders having the right to vote at such meeting or not less than one hundred (100) Shareholders, at the expenses of the Shareholders concerned, can submit a written requisition to move a resolution at a general meeting.

2. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned and may consist of several documents in like form (which between them contain the signatures of all the Shareholders concerned).

3. The written requisition must be deposited at Room 102, 1/F., Energy Plaza, No. 92 Granville Road, Tsimshatsui East, Kowloon, Hong Kong, the head office of the Company, for the attention of the Board or the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution and not less than one week in the case of any other requisition.

4. The signatures and the requisition will be verified by the Company's Hong Kong branch share registrar and transfer office. Upon verification that the request is valid, the Company Secretary will ask the Board to (i) include the resolution in the agenda for the annual general meeting; or (ii) convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the Shareholders, provided that the Shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

DIVIDEND POLICY

The Board has adopted a dividend policy of the Company ("Dividend Policy"). The Dividend Policy aims to allow the Shareholders to participate in the Company's profits by provision of dividends whilst preserving the Company's liquidity to capture future growth opportunities. The Company may declare and pay dividends to the Shareholders depending on, amongst other factors, the Company's operation and financial performance, liquidity conditions, capital requirements, future funding needs, contractual restrictions, availability of reserves and prevailing economic climate. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. The Board will review this policy from time to time and may adopt changes as appropriate at the relevant time.

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF POWER FINANCIAL GROUP LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Power Financial Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 141, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of financial assets at fair value through profit or loss ("FVTPL") classified as Level 3 fair value *(refer to Notes 3 on significant accounting policies, 20 and 34 to the consolidated financial statements)*

Key audit matter	How the matter was addressed in our audit
Included in financial assets at FVTPL at 31 December 2020 are suspended listed equity securities with the fair value of approximately HK$180,635,000 as at that date which was determined by reference to the valuation conducted by an external valuer using the valuation technique on unobservable inputs (i.e. Level 3 fair value measurement). We identified the valuation of financial assets at FVTPL classified as Level 3 fair value as a key audit matter due to the significance of the magnitude of the fair value of the suspended listed equity securities and of the judgment and estimates made by the management of the Group in determination of the fair value given the lack of availability of market-based data.	Our procedures in relation to valuation of financial assets at FVTPL classified as Level 3 fair value included: – understood the internal control of the Group in relation to the valuation of the fair value of financial assets at FVTPL classified as Level 3 fair value; – evaluated the independent valuer's competence, capabilities and objectivity; – made inquiry of the management and the external valuer regarding the basis of fair value valuation; – evaluated the appropriateness of the valuation methodologies and assumptions based on the industry knowledge; and – evaluated the appropriateness of the key inputs by checking to the external data; by evaluating the rationale of management's judgment on the key inputs.

KEY AUDIT MATTERS *(Continued)*

Recoverability of loans and interest receivables *(refer to Notes 3 on significant accounting policies and 18 to the consolidated financial statements)*

Key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the Group had loans and interest receivables with the carrying amount of approximately HK$590,717,000, of which impairment allowance amounting to approximately HK$7,287,000 was recognised in the consolidated financial statements. The estimation of the impairment allowance on loans and interest receivables is based on the expected credit losses ("ECL") which requires the application of significant judgment and estimates including the identification of deterioration in credit quality, and assumptions used in the ECL models for exposures assessed individually, such as the expected future cash flows and forward-looking macroeconomic factors. We identified the recoverability of loans and interest receivables as a key audit matter as the carrying amount of loans and interest receivables is significant to the consolidated financial statements, and the evaluation of ECL on the loans and interest receivables requires the management of the Group to exercise significant judgments and estimates.	Our procedures in relation to the management's ECL assessment of loans and interest receivables included: – obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and estimation of the ECL of loans and interest receivables; – reviewed the loans and other relevant agreements entered into between the Group and the borrowers, and other relevant information relating to the borrowers as assessed by the Group; – circulated auditor's confirmations to test the existence of the loans and interest receivables as at the end of the reporting period and checked the accuracy of the aging of loans and interest receivables as at the end of the reporting period by tracing to loan agreements; – evaluated the external valuer's competence, capabilities, and objectivity where external valuer was engaged for the evaluation of ECL in loans and interest receivables; – made inquiry of the Group's management and the external valuer, where applicable, regarding the basis of calculation of the ECL; – assessed the reasonableness of the Group's ECL model, by reference to borrowers' past overdue records, borrowers' historical settlement patterns, borrowers' principal and interest repayment records, and repayment records subsequent to the year end date; and – evaluated the appropriateness of the valuation methodologies and assumptions based on the industry knowledge.

OTHER MATTER

The consolidated financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 March 2020.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 19 March 2021

Kwong Tin Lap
Practising Certificate Number P01953

Unit 1510–1517, 15/F.
Tower 2, Kowloon Commerce Centre
No. 51 Kwai Cheong Road, Kwai Chung
New Territories, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**101,716**	84,172
Direct operating costs		**(21,686)**	(10,056)
Gross profit		**80,030**	74,116
Other income, gains and losses	7	**24,727**	(60,870)
Administrative expenses		**(57,367)**	(81,386)
Share of profit of associates		**–**	1,205
Finance costs	8	**(674)**	(2,498)
Profit/(loss) before tax	9	**46,716**	(69,433)
Income tax expense	10	**(2,537)**	(1,810)
Profit/(loss) for the year		**44,179**	(71,243)
Other comprehensive income/(expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange translation reserve upon disposal of a foreign operation		**–**	216
Share of other comprehensive expense of associates		**–**	(1,660)
Fair value changes of debt instruments at fair value through other comprehensive income		**(6,346)**	2,826
Other comprehensive (expense)/income for the year, net of income tax		**(6,346)**	1,382
Total comprehensive income/(expense) for the year		**37,833**	(69,861)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		**44,190**	(71,651)
Non-controlling interests		**(11)**	408
		44,179	(71,243)
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**37,844**	(70,269)
Non-controlling interests		**(11)**	408
		37,833	(69,861)
		HK cents	HK cents
Earnings/(loss) per share	14		
– Basic		**1.59**	(2.57)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**64,787**	58,638
Goodwill	16	**136**	136
Other intangible asset	17	**1,300**	–
Loans and interest receivables	18	**147**	226
Debt instruments at fair value through other comprehensive income	19	**45,536**	191,688
Financial assets at fair value through profit or loss	20	**67,144**	86,750
Other receivables	22	**–**	12,197
Other assets		**180**	180
		179,230	349,815
CURRENT ASSETS			
Inventories	21	**513**	–
Loans and interest receivables	18	**590,570**	363,264
Trade and other receivables	22	**180,882**	35,705
Income tax recoverable		**105**	2,508
Debt instruments at fair value through other comprehensive income	19	**56,768**	115,632
Financial assets at fair value through profit or loss	20	**227,759**	162,378
Bank trust account balances	23	**15,795**	15,899
Bank balances and cash	24	**204,512**	389,225
		1,276,904	1,084,611
CURRENT LIABILITIES			
Trade and other payables	25	**24,104**	23,956
Income tax payable		**700**	2,226
Borrowings	26	**–**	20,800
Lease liabilities	27	**6,237**	3,605
		31,041	50,587
NET CURRENT ASSETS		**1,245,863**	1,034,024
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,425,093**	1,383,839

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	27	**2,909**	162
NET ASSETS		**1,422,184**	1,383,677
CAPITAL AND RESERVES			
Share capital	28	**27,836**	27,836
Reserves		**1,392,488**	1,353,970
Equity attributable to owners of the Company		**1,420,324**	1,381,806
Non-controlling interests		**1,860**	1,871
TOTAL EQUITY		**1,422,184**	1,383,677

The consolidated financial statements on pages 44 to 141 were approved and authorised for issue by the Board of Directors on 19 March 2021 and are signed on its behalf by:

Choi Chun Chung, Danny
DIRECTOR

Siu Kam Chau
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company											
	Share capital HK$'000 (Note 28)	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note (i))	Other reserve HK$'000 (Note (iv))	Exchange translation reserve HK$'000 (Note (ii))	Investment revaluation reserve HK$'000 (Note (v))	Share-based payments reserve HK$'000 (Note (iii))	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019	27,836	3,800,250	861	494,907	(4,270)	(216)	(4,309)	2,370	(2,873,502)	1,443,927	1,463	1,445,390
Loss for the year	–	–	–	–	–	–	–	–	(71,651)	(71,651)	408	(71,243)
Other comprehensive (expense)/ income for the year	–	–	–	–	(1,660)	216	2,826	–	–	1,382	–	1,382
Total comprehensive (expense)/ income for the year	–	–	–	–	(1,660)	216	2,826	–	(71,651)	(70,269)	408	(69,861)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	1,969	–	1,969	–	1,969
Lapse of share options	–	–	–	–	–	–	–	(2,370)	2,370	–	–	–
Deemed disposal of associates	–	–	–	–	6,179	–	–	–	–	6,179	–	6,179
At 31 December 2019	27,836	3,800,250	861	494,907	249	–	(1,483)	1,969	(2,942,783)	1,381,806	1,871	1,383,677
At 1 January 2020	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 for the year	–	–	–	–	–	–	–	–	44,190	44,190	(11)	44,179
Other comprehensive expense for the year	–	–	–	–	–	–	(6,346)	–	–	(6,346)	–	(6,346)
Total comprehensive (expense)/ income for the year	–	–	–	–	–	–	(6,346)	–	44,190	37,844	(11)	37,833
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	674	–	674	–	674
Lapse of share options	–	–	–	–	–	–	–	(1,332)	1,332	–	–	–
At 31 December 2020	27,836	3,800,250	861	494,907	249	–	(7,829)	1,311	(2,897,261)	1,420,324	1,860	1,422,184

Notes:

(i) The contributed surplus represents reserves arising from (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the corporate reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1993; and (ii) the Company's capital reorganisation exercises implemented in prior years. Under the Companies Act of Bermuda, the contributed surplus of the Company is distributable to shareholders under certain circumstances.

(ii) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the exchange translation reserve. Such exchange differences are reclassified to profit or loss upon the disposal of foreign operations.

(iii) The share-based payments reserve relates to share options granted to employees under the Company's share option scheme and other agreement. Further information about share-based payments to employees is set out in Note 29.

(iv) The other reserve as at year end date represents the difference between the consideration paid for acquisition of non-controlling interests during the year ended 31 December 2018 and their carrying amounts as at the date of acquisition.

(v) Investment revaluation reserve represents the cumulative net change in the fair value of debt instruments designated at fair value through other comprehensive income that are held at the end of the reporting period.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Profit/(loss) before tax		**46,716**	(69,433)
Adjustments for:			
Loss on deregistration of subsidiaries	7	**–**	374
Loss on deemed disposal of interests in associates	7	**–**	6,179
Share of profit of associates		**–**	(1,205)
Depreciation of property, plant and equipment	9	**11,312**	8,175
Finance costs	8	**674**	2,498
Interest income		**(84,576)**	(83,610)
Loss/(gain) on disposal of debt instruments at fair value through other comprehensive income	7	**1,418**	(4,066)
(Gain)/loss on fair value changes of financial assets at fair value through profit or loss	7	**(22,789)**	68,884
Dividend income from unlisted investment funds	7	**–**	(169)
Impairment loss on trade receivables	9	**2,919**	2,678
Impairment loss on loans and interest receivables	9	**2,467**	4,820
Impairment loss on debt instruments at fair value through other comprehensive income	9	**–**	11,582
Impairment loss on goodwill	9	**–**	672
Impairment loss on trade receivables reversed	9	**(16)**	(20)
Equity-settled share-based payments expenses	29	**674**	1,969
Operating cash flows before movements in working capital		**(41,201)**	(50,672)
Increase in inventories		**(513)**	–
(Increase)/decrease in trade and other receivables		**(145,870)**	20,458
Increase in other assets		**–**	(25)
(Increase)/decrease in loans receivables		**(226,653)**	38,958
(Increase)/decrease in listed equity securities		**(36,737)**	9,164
Decrease in listed bond investments		**206,409**	47,533
Decrease in bank trust account balances		**104**	33,540
Increase/(decrease) in trade and other payables		**148**	(37,563)
Cash (used in)/generated from operations		**(244,313)**	61,393
Income taxes paid, net		**(1,660)**	–
Interest income received from money lending business, financial services business and listed bond investments		**80,443**	76,651
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(165,530)**	138,044

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES			
Interest received		**1,464**	1,425
Purchase of property, plant and equipment		**(6,739)**	(608)
Purchase of other intangible asset		**(1,300)**	–
Purchase of investment funds		**(5,840)**	(10,020)
Proceeds from disposal of investment funds		**20,049**	58,284
Dividend income received from investment funds		**–**	169
NET CASH FROM INVESTING ACTIVITIES		**7,634**	49,250
FINANCING ACTIVITIES			
Interest paid	37	**(107)**	(2,100)
Payment of lease liabilities	37	**(5,910)**	(3,912)
Repayment of loan notes	37	**(20,800)**	(16,600)
NET CASH USED IN FINANCING ACTIVITIES		**(26,817)**	(22,612)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(184,713)**	164,682
Cash and cash equivalents at the beginning of the year		**389,225**	224,543
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**204,512**	389,225

1. GENERAL INFORMATION

Power Financial Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is situated at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda, and its head office and principal place of business in Hong Kong is situated at Room 102, 1/F., Energy Plaza, No. 92 Granville Road, Tsimshatsui East, Kowloon, Hong Kong.

The Company acts as an investment holding company and the principal activities of its principal subsidiaries are set out in Note 36. The "Group" comprises the Company and its subsidiaries.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset take into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies

Business combinations or asset acquisitions

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies *(Continued)*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Basis of consolidation

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell the promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Commission income from securities brokerage

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

(ii) Commission income from placing

Placing commission income is recognised on the trade date when the Group purchases the securities from the issuer or the date the Group sells the securities to third-party investors.

(iii) Corporate finance advisory income

Corporate finance advisory income from providing specified financial advisory and acting as independent financial adviser are recognised at a point in time when the services for the transactions are completed under the terms of each engagement, as only that time the Group has a present right to payment from the customers for the service performed. Invoices for the financial services are issued upon signing service contracts and when stated milestones in the contract are reached.

Advisory fee income from provision of services under retainers is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit providing by the Group performs and revenue can be measured reliably.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Contracts with multiple performance obligations (including allocation of transaction price) (Continued)

(iv) Trading of healthcare related products

Revenue from trading of healthcare related products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease liabilities *(Continued)*

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Employee benefits

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Defined contribution retirement plan

Payment to defined contribution retirement benefit plans/the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payments

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Taxation *(Continued)*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets". When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment (including right-of-use assets) and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment (including right-of-use assets) to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment (including right-of-use assets) and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies *(Continued)*

Impairment on property, plant and equipment (including right-of-use assets) and intangible assets other than goodwill *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies *(Continued)*

Provisions *(Continued)*

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including other assets, trade and other receivables, loans and interest receivables, bank trust account balances, bank balances and cash) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group recognises lifetime ECL for trade receivables arising from trading of healthcare related products. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For other financial assets at amortised cost and debt instruments at FVTOCI, the ECLs are based on the 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for trade and other receivables, loans and interest receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, loans and interest receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified. When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Financial liabilities and equity *(Continued)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities, including trade and other payables, borrowings and lease liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Significant accounting policies *(Continued)*

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided to the Group's chief operating decision makers for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following are the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Significant judgment in determining the lease term of contract with extension option

The Group has lease contract that include extension option. The Group applies judgment in evaluating whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew the lease. The information about the extension option is disclosed in Note 15.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation charges for the future years.

Impairment loss on property, plant and equipment (including right-of-use assets) and other intangible assets

If circumstances indicate that the carrying amounts of property, plant and equipment (including right-of-use assets) and other intangible assets may not be recoverable, the assets may be considered impaired, and an impairment loss may be recognised to reduce the carrying amounts to their recoverable amounts. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. The fair value less costs of disposal is estimated by reference to comparable sales evidence and market conditions. For the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant estimates and judgments relating to level of future income and operating costs. Changes in these estimates could have significant impact on the carrying amounts of these assets and could result in additional impairment charge or reversal of impairment, if any, in future periods.

As at 31 December 2020, the carrying amounts of property, plant and equipment (including right-of-use assets) and other intangible assets are approximately HK$64,787,000 and HK$1,300,000, respectively (2019: HK$58,638,000 and HK$Nil). No impairment loss on property, plant and equipment (including right-of-use assets) and other intangible assets were recognised in respect of the current year (2019: HK$Nil). The information about the property, plant and equipment (including right-of-use assets) and other intangible assets are disclosed in Notes 15 and 17 respectively.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Measurement of expected credit loss allowance

The management estimates the amount of loss allowance for ECLs on financial assets at amortised cost and debt instruments at FVTOCI based on the credit risk of the respective financial instrument. The loss allowance is measured as the difference between the asset's carrying amount and the present value of estimate future cash flows with the consideration of expected future credit loss of the respective financial instrument and collateral value. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty about future economic conditions which have an adverse effect on debtors' business, debtors' creditworthiness, the payment delinquency or default in interest or principal payments or fair values of collaterals. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 December 2020, the carrying amounts of loans and interest receivables, trade and other receivables and debt instruments at FVTOCI are approximately HK$590,717,000, HK$180,247,000, and HK$102,304,000 respectively (2019: HK$363,490,000, HK$46,992,000 and HK$307,320,000). The information about the ECLs of loans and interest receivables, trade and other receivables, and debt instruments at FVTOCI are disclosed in Notes 18, 22 and 19 respectively. Further details about the assessment of ECLs of these financial assets are disclosed in Note 34.

Fair value of financial instruments

When the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs such as the share price of the underlying investment, correlation, volatility and transactions of shares. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the consolidated statement of financial position and the level where the instruments are disclosed in the fair value hierarchy.

HKFRS 13 requires disclosures relating to fair value measurements using a three-tier fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the Group performs sensitivity analysis. The information about the fair value of financial instruments are disclosed in Note 34.

5. REVENUE

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

	2020 HK$'000	2019 HK$'000
Interest income from money lending	**55,342**	48,274
Interest income from bond investments	**15,105**	27,794
Income from financial services		
– Commission income from securities brokerage	**2,712**	1,987
– Commission income from placing	**208**	–
– Corporate finance advisory services	**840**	–
– Interest income from clients	**12,665**	6,117
Trading of healthcare related products	**14,844**	–
	101,716	84,172

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

	2020 HK$'000	2019 HK$'000
Income from financial services		
– Commission income from securities brokerage	**2,712**	1,987
– Commission income from placing	**208**	–
– Corporate finance advisory services	**840**	–
Trading of healthcare related products	**14,844**	–
	18,604	1,987

5. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by timing over revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

For the year ended 31 December 2020	**Revenue recognised**		
	At point in time HK$'000	**Over time HK$'000**	**Total HK$'000**
Financial services segment	**2,920**	**840**	**3,760**
Money lending segment	**–**	**–**	**–**
Trading segment	**14,844**	**–**	**14,844**
Assets investment segment	**–**	**–**	**–**
	17,764	**840**	**18,604**

For the year ended 31 December 2019	Revenue recognised		
	At point in time HK$'000	Over time HK$'000	Total HK$'000
Financial services segment	1,987	–	1,987
Money lending segment	–	–	–
Trading segment	–	–	–
Assets investment segment	–	–	–
	1,987	–	1,987

6. SEGMENT INFORMATION

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

During the year ended 31 December 2020, the Group commenced the business engaging in trading of healthcare related products in Hong Kong and to overseas.

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

- Financial services segment – Provision of financial services including securities brokerage, placing, and corporate finance advisory services in Hong Kong;

- Money lending segment – Provision of loan financing in Hong Kong;

- Trading segment – Trading of healthcare related products in Hong Kong and to overseas; and

- Assets investment segment – Investments in debt securities earning fixed interest income, as well as investments in listed and unlisted equity securities and investment funds earning variable returns and gains.

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

For the year ended 31 December 2020

	Financial services segment HK$'000	Money lending segment HK$'000	Trading segment HK$'000	Assets investment segment HK$'000	Total HK$'000
Revenue					
Revenue from external customers	16,425	55,342	14,844	15,105	101,716
Other income, gains and losses					
Dividend income from listed equity securities and unlisted investment funds	–	–	–	183	183
Loss on disposal of debt instruments at FVTOCI	–	–	–	(1,418)	(1,418)
Gain on fair value changes of financial assets at FVTPL	–	–	–	22,789	22,789
	16,425	55,342	14,844	36,659	123,270
Results					
Segment results	958	38,604	386	13,226	53,174
Unallocated corporate income					2,311
Unallocated corporate expenses					(8,095)
Finance costs					(674)
Profit before tax					46,716

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2019

	Financial services segment HK$'000	Money lending segment HK$'000	Trading segment HK$'000	Assets investment segment HK$'000	Total HK$'000
Revenue					
Revenue from external customers	8,104	48,274	–	27,794	84,172
Other income, gains and losses					
Dividend income from listed equity securities and unlisted investment funds	–	–	–	2,011	2,011
Gain on disposal of debt instruments at FVTOCI	–	–	–	4,066	4,066
Loss on fair value changes of financial assets at FVTPL	–	–	–	(68,884)	(68,884)
	8,104	48,274	–	(35,013)	21,365
Results					
Segment results	(26,902)	30,248	–	(69,005)	(65,659)
Unallocated corporate income					1,425
Unallocated corporate expenses					(3,906)
Finance costs					(2,498)
Share of profit of associates					1,205
Loss before tax					(69,433)

Segment revenue represents revenue from external customers shown above. There were no inter-segment sales for the year ended 31 December 2020 (2019: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent 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 profit of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2020 HK$'000	2019 HK$'000
Segment assets		
Financial services segment	180,140	35,227
Money lending segment	592,488	363,690
Trading segment	862	–
Assets investment segment	517,281	726,920
Total segment assets	1,290,771	1,125,837
Unallocated assets		
– Bank balances and cash	147,730	301,087
– Other unallocated assets	17,633	7,502
Consolidated total assets	1,456,134	1,434,426
Segment liabilities		
Financial services segment	21,155	19,182
Money lending segment	717	1,135
Trading segment	388	–
Assets investment segment	1,528	23,930
Total segment liabilities	23,788	44,247
Unallocated liabilities	10,162	6,502
Consolidated total liabilities	33,950	50,749

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

- all assets are allocated to operating segments other than certain property, plant and equipment (including right-of-use assets), certain bank balances and cash and income tax recoverable which are not allocated to segment assets; and
- all liabilities are allocated to operating segments other than borrowings, lease liabilities and income tax payable which are not allocated to segment liabilities.

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2020

	Financial services segment HK$'000	Money lending segment HK$'000	Trading segment HK$'000	Assets investment segment HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets	–	1,330	–	–	17,431	18,761
Interest income	12,665	55,342	–	15,105	1,464	84,576
Interest expenses	–	–	–	–	(674)	(674)
Depreciation of property, plant and equipment	(2,555)	(7)	–	–	(8,750)	(11,312)
Impairment loss on trade receivables	(2,919)	–	–	–	–	(2,919)
Impairment loss on loans and interest receivables	–	(2,467)	–	–	–	(2,467)
Impairment loss on debt instruments at FVTOCI	–	–	–	–	–	–
Impairment loss on goodwill	–	–	–	–	–	–
Impairment loss on trade receivables reversed	16	–	–	–	–	16

For the year ended 31 December 2019

	Financial services segment HK$'000	Money lending segment HK$'000	Trading segment HK$'000	Assets investment segment HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets	600	–	–	8	–	608
Interest income	6,117	48,274	–	27,794	1,425	83,610
Interest expenses	–	–	–	–	(2,498)	(2,498)
Depreciation of property, plant and equipment	(2,653)	(56)	–	(17)	(5,449)	(8,175)
Impairment loss on trade receivables	(2,678)	–	–	–	–	(2,678)
Impairment loss on loans and interest receivables	–	(4,820)	–	–	–	(4,820)
Impairment loss on debt instruments at FVTOCI	–	–	–	(11,582)	–	(11,582)
Impairment loss on goodwill	(672)	–	–	–	–	(672)
Impairment loss on trade receivables reversed	20	–	–	–	–	20

Note: Additions to non-current assets excluded those relating to financial instruments.

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The geographical location of customers is based on the location of the customers, irrespective of the origin of the goods or services. The geographical location of the non-current assets is based on the physical location of the assets.

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

	Revenue		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**98,107**	84,172	**66,223**	58,774
United States of America	**3,609**	–	**–**	–
	101,716	84,172	**66,223**	58,774

Note: Non-current assets excluded those relating to financial instruments.

Information about major customers

There was no customer contributing over 10% of the total revenue of the Group for the years ended 31 December 2020 and 2019.

7. OTHER INCOME, GAINS AND LOSSES

	2020	2019
	HK$'000	HK$'000
Interest income	**1,464**	1,425
Sundry income	**1,559**	7,065
Rental income	**150**	–
Dividend income from unlisted investment funds	**–**	169
Dividend income from listed equity securities	**183**	1,842
Gain/(loss) on fair value changes of financial assets at FVTPL	**22,789**	(68,884)
(Loss)/gain on disposal of debt instruments at FVTOCI	**(1,418)**	4,066
Loss on deregistration of subsidiaries	**–**	(374)
Loss on deemed disposal of interests in associates	**–**	(6,179)
	24,727	(60,870)

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on loan notes	**107**	2,100
Interest on lease liabilities	**567**	398
	674	2,498

9. PROFIT/(LOSS) BEFORE TAX

	2020 HK$'000	2019 HK$'000
Profit/(loss) before tax has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments, excluding equity-settled share-based payments (Note 11)	**14,531**	13,366
Other staff costs (Note below)	**9,402**	15,049
Equity-settled share-based payments (including directors' equity-settled share-based payments) (Note 29)	**674**	1,969
	24,607	30,384
Auditor's remuneration	**900**	1,620
Cost of inventories recognised as an expense	**13,910**	–
Depreciation of property, plant and equipment	**11,312**	8,175
Exchange losses, net	**2,351**	34
Impairment loss recognised as administrative expenses on:		
– Loans and interest receivables (Note 18)	**2,467**	4,820
– Debt instruments at FVTOCI (Note 19)	**–**	11,582
– Trade receivables (Note 22(c))	**2,919**	2,678
– Goodwill (Note 16)	**–**	672
Impairment loss on trade receivables reversed (Note 22(b))	**(16)**	(20)

Note: Included in other staff costs are contributions of retirement benefits scheme amounted to approximately HK$220,000 (2019: HK$398,000).

10. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax:		
– Hong Kong Profits Tax	**2,510**	1,810
– Under-provision in respect of prior period	**27**	–
Income tax expense	**2,537**	1,810

Hong Kong Profits Tax is calculated at 8.25% (2019: 8.25%) on the first HK$2,000,000 of estimated assessable profits of the qualifying group entity under the two-tiered profits tax rates regime and at 16.5% (2019: 16.5%) for the portion of the estimated assessable profits of the qualifying entity above HK$2,000,000. The assessable profits of the group entities not qualifying for the two-tiered profits tax rates regime continue to be taxed at 16.5% (2019: 16.5%).

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

The income tax expense can be reconciled to profit/(loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK$'000	2019 HK$'000
Profit/(loss) before tax	**46,716**	(69,433)
Tax at the Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**7,708**	(11,456)
Tax effect of expenses not deductible for tax purpose	**4,825**	16,131
Tax effect of income not taxable for tax purpose	**(10,298)**	(7,376)
Tax effect of share of profit of associates	**–**	(199)
Tax effect of tax losses not recognised	**1,229**	4,502
Tax effect of utilisation of tax losses previously not recognised	**(502)**	–
Tax effect of temporary differences not recognised	**(287)**	373
Tax concession	**(165)**	(165)
Under-provision in respects of prior period	**27**	–
Income tax expense	**2,537**	1,810

At the end of the reporting period, the Group has unused tax losses, subject to the agreement by the Hong Kong Inland Revenue Department, of approximately HK$789,681,000 (2019: HK$785,275,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The losses may be carried indefinitely.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) is as follows:

For the year ended 31 December 2020

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000 (Note (a))	Contributions to retirement benefits scheme HK$'000	Equity-settled share-based payments HK$'000 (Note (b))	Total emoluments HK$'000
Executive directors						
Mr. Choi Chun Chung, Danny	–	12,000	–	18	–	12,018
Mr. Sit Sai Hung, Billy (Note (d))	–	273	–	6	172	451
Mr. Siu Kam Chau (Note (c))	–	1,839	–	12	165	2,016
Independent non-executive directors						
Mr. Chu Hau Lim (Note (d))	60	–	–	–	–	60
Mr. Wong Kun To (Note (d))	40	–	–	–	–	40
Ms. Lim Xue Ling, Charlene (Note (f))	44	–	–	–	–	44
Mr. Chiu Ka Wai, Ellis (Note (c))	81	–	–	–	–	81
Ms. Chan Kar Yin, Polly (Note (c))	81	–	–	–	–	81
Mr. Kwok Sze Kong (Note (e))	77	–	–	–	–	77
	383	14,112	–	36	337	14,868

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 31 December 2019

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000 (Note (a))	Contributions to retirement benefits scheme HK$'000	Equity-settled share-based payments HK$'000 (Note (b))	Total emoluments HK$'000
Executive directors						
Mr. Choi Chun Chung, Danny	–	12,000	–	18	–	12,018
Mr. Sit Sai Hung, Billy	–	840	70	18	993	1,921
Independent non-executive directors						
Mr. Chu Hau Lim	180	–	–	–	–	180
Mr. Wong Kun To	120	–	–	–	–	120
Ms. Lim Xue Ling, Charlene	120	–	–	–	–	120
	420	12,840	70	36	993	14,359

The executive directors' and chief executive's emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors.

Notes:

(a) Performance bonus is based on the Group's operation performance.

(b) During the year ended 31 December 2019, share options were granted to certain directors, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 29.

(c) Appointed with effect from 29 April 2020.

(d) Resigned with effect from 29 April 2020.

(e) Appointed with effect from 12 May 2020.

(f) Resigned with effect from 12 May 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

During the year ended 31 December 2020, no emolument was paid by the Group to the directors or chief executives of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2020 included three (2019: two) directors, which included (i) Mr. Sit Sai Hung, Billy, a former director, who resigned as an executive director of the Company with effect from 29 April 2020 and continued to be an employee of the Company and (ii) Mr. Siu Kam Chau, the then non-director employee, who was appointed as an executive director of the Company with effect from 29 April 2020, and whose directors' emoluments are included in the disclosures in Note 11 above. Details of the emoluments of Mr. Sit Sai Hung, Billy and Mr. Siu Kam Chau during their employment as the employees of the Company and the remaining two (2019: three) highest paid employees who are non-directors are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries and other benefits	**3,024**	4,283
Performance bonus	**–**	228
Equity-settled share-based payments	**337**	976
Contributions to retirement benefits scheme	**54**	44
	3,415	5,531

The aggregate amounts of emoluments of Mr. Sit Sai Hung, Billy and Mr. Siu Kam Chau during their employment period throughout the year ended 31 December 2020 constituted two of the five highest paid employees. The number of non-directors, highest paid employees (including Mr. Sit Sai Hung, Billy and Mr. Siu Kam Chau) whose emoluments fell within the following bands as follows:

	2020 **Number of** **individuals**	2019 Number of individuals
HK$Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**1**	–
HK$3,000,001 – HK$3,500,000	**1**	–
HK$3,500,001 – HK$4,000,000	**–**	1

During the year ended 31 December 2020, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

13. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

14. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

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

	2020 **HK$'000**	2019 HK$'000
Earnings/(loss)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share		
Profit/(loss) for the year attributable to owners of the Company	**44,190**	(71,651)

	2020 **'000**	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**2,783,553**	2,783,553

Diluted earnings/(loss) per share

The computation of diluted earnings/loss per share did not assume the exercise of outstanding share options of the Company because the exercise price of those options was higher than the average market price for shares for both years ended 31 December 2020 and 2019.

Diluted earnings/loss per share for the years ended 31 December 2020 and 2019 are not presented as there were no other potential shares in issue for both of these years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Right-of-use assets HK$'000	Total HK$'000
COST						
At 1 January 2019	56,478	4,313	5,923	549	7,281	74,544
Additions	–	547	52	9	–	608
At 31 December 2019 and 1 January 2020	**56,478**	**4,860**	**5,975**	**558**	**7,281**	**75,152**
Additions	**–**	**6,079**	**357**	**303**	**10,722**	**17,461**
Disposals	**–**	**(4,837)**	**(1,055)**	**–**	**–**	**(5,892)**
At 31 December 2020	**56,478**	**6,102**	**5,277**	**861**	**18,003**	**86,721**
ACCUMULATED DEPRECIATION						
At 1 January 2019	3,374	1,297	3,588	80	–	8,339
Provided for the year	1,883	1,767	850	109	3,566	8,175
At 31 December 2019 and 1 January 2020	**5,257**	**3,064**	**4,438**	**189**	**3,566**	**16,514**
Provided for the year	**1,883**	**1,918**	**703**	**114**	**6,694**	**11,312**
Disposals	**–**	**(4,837)**	**(1,055)**	**–**	**–**	**(5,892)**
At 31 December 2020	**7,140**	**145**	**4,086**	**303**	**10,260**	**21,934**
CARRYING AMOUNTS						
At 31 December 2020	**49,338**	**5,957**	**1,191**	**558**	**7,743**	**64,787**
At 31 December 2019	51,221	1,796	1,537	369	3,715	58,638

The leasehold land and buildings are situated on land in Hong Kong.

Right-of-use assets

The right-of-use assets represents the leased office premises which are situated in Hong Kong.

Lease contracts are entered into for fixed term ranging from 2 to 3 years (2019: 3 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 31 December 2020, the Group has an extension option in leases for an office premise. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension option held are exercisable only by the Group and not by the respective lessor.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension option. There was no potential exposures to these future lease payments for extension option in which the Group is not reasonably certain to exercise. During the year ended 31 December 2020, there was no additional lease liabilities recognised as a result of exercising extension option that the Group was not reasonably certain to exercise.

As at 31 December 2020, the Group has not exercised any extension option for the leases relating to an office premise.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2020, there is no such triggering event.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 **HK$'000**	2019 HK$'000
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**171**	108
Total cash outflow for leases	**171**	108

Details of total cash outflow for leases are set out in consolidated statement of cash flows.

Depreciation of property, plant and equipment

The items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and building	Over the shorter of the term of the lease, or 30 years
Leasehold improvements (Note)	Over the terms of the lease
Office equipment	10% to 40%
Furniture and fixtures	10% to 40%
Right-of-use assets	Over the terms of the lease

Note: The leasehold improvements are depreciated over the terms of the relevant lease which include the period for which the Group has been granted an option to renew the lease at marketable rent.

16. GOODWILL

	HK$'000
COST	
At 1 January 2019, 31 December 2019 and 31 December 2020	16,221
ACCUMULATED IMPAIRMENT	
At 1 January 2019	15,413
Impairment loss recognised for the year	672
At 31 December 2019 and 31 December 2020	16,085
CARRYING AMOUNTS	
At 31 December 2020	**136**
At 31 December 2019	136

Impairment testing on goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2020 **HK$'000**	2019 HK$'000
E Finance Limited ("E Finance") – money lending business	**136**	136

The operating activity of E Finance which is engaged in the money lending business.

The recoverable amount of the CGU was determined based on value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by the management. Cash flows beyond five-year period are extrapolated using growth rate of 3% (2019: 3%). The cash flow projections are discounted at pre-tax discount rate of 17.90% (2019: 16.82%) per annum, which reflects the specific risks relating to such CGU.

The key assumptions for the value-in-use calculation are those regarding the discount rates, the budgeted revenue and budgeted expenses during the forecasting periods, which are determined by the management based on the past performance and management's expectations for the market development.

17. OTHER INTANGIBLE ASSET

	Membership HK$'000
COST	
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Addition	1,300
At 31 December 2020	**1,300**

The membership represents the database access membership of consumer credit in Hong Kong. The membership is considered by the management as having indefinite useful lives because it is expected to contribute to net cash inflows indefinitely. The membership was tested for impairment by comparing its carrying amount with its recoverable amount, which was determined from value-in-use calculation based on cash flow projection from financial budgets covering a five-year period approved by the management.

Based on the impairment assessment, management considers that no impairment loss on the intangible asset is required to be made in the consolidated financial statements.

18. LOANS AND INTEREST RECEIVABLES

	2020 HK$'000	2019 HK$'000
Loans and interest receivables thereon		
– Within one year	**597,857**	368,084
– In the second to fifth years	**147**	226
	598,004	368,310
Less: Impairment loss recognised	**(7,287)**	(4,820)
	590,717	363,490
Analysed for reporting purpose as:		
Non-current assets	**147**	226
Current assets	**590,570**	363,264
	590,717	363,490

18. LOANS AND INTEREST RECEIVABLES *(Continued)*

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

	2020 HK$'000	2019 HK$'000
At 1 January	**4,820**	–
Impairment loss recognised for the year (Note 9)	**2,467**	4,820
At 31 December	**7,287**	4,820

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

As at 31 December 2020

Loan principals HK$'000	Interest rate per annum	Maturity date	Security pledged
386,368	9%–36%	Within 1 year to 5 years	Landed properties in Hong Kong, and shares of certain listed and unlisted companies
94,500	10%–17%	Within 1 year	Guarantees provided by certain independent third parties
107,950	10%–24%	Within 1 year	Nil
588,818			

18. LOANS AND INTEREST RECEIVABLES *(Continued)*

As at 31 December 2019

Loan principals HK$'000	Interest rate per annum	Maturity date	Security pledged
304,696	9%–30%	Within 1 year to 5 years	Landed properties in Hong Kong, and shares of certain listed and unlisted companies
24,000	9%	Within 1 year	Guarantees provided by certain independent third parties
34,552	9%–24%	Within 1 year	Nil
363,248			

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

19. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$'000	2019 HK$'000
Investments in bonds listed in		
– Hong Kong	**50,371**	107,319
– Singapore	**51,933**	200,001
	102,304	307,320
Analysed for reporting purpose as:		
Non-current assets	**45,536**	191,688
Current assets	**56,768**	115,632
	102,304	307,320

The Group holds the debt instruments for the purpose of collecting the interests of the bonds and sell the bonds under favourable market environment.

19. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Movements of allowance of debt instruments at FVTOCI are as follows:

	2020 **HK$'000**	2019 HK$'000
At 1 January	**11,582**	–
Impairment loss recognised for the year (Note 9)	**–**	11,582
Eliminated on disposal of debt instruments	**(3,743)**	–
At 31 December	**7,839**	11,582

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **HK$'000**	2019 HK$'000
Equity securities listed in Hong Kong (Note (a))	**227,759**	150,673
Bond investments listed in Europe (Note (a))	**–**	11,705
Unlisted investment funds (Note (b))	**67,144**	86,750
	294,903	249,128
Analysed for reporting purpose as:		
Non-current assets	**67,144**	86,750
Current assets	**227,759**	162,378
	294,903	249,128

Notes:

(a) The fair value of the listed equity securities and listed bond investments were determined based on the quoted market prices in an active market, except for certain listed equity securities with the fair value of approximately HK$180,635,000 (2019: HK$144,015,000), the trading of which on the Stock Exchange has been suspended by the Securities and Futures Commission (the "Suspended Shares"). The fair value of the Suspended Shares was determined with reference to the valuations performed by an independent professional valuer, details of which are set out in the section headed "Fair value measurement of financial instruments" in Note 34. Trading of certain Suspended Shares with the fair value of approximately HK$174,089,000 as at 31 December 2020 resumed subsequent to that date.

(b) The fair value of unlisted investment funds was determined with reference to the underlying assets of the funds which are provided by the counterparty financial institutions. These unlisted investment funds are included in non-current assets as they are not expected to be settled within one year after the end of the reporting period.

21. INVENTORIES

	2020 HK$'000	2019 HK$'000
Finished goods	**513**	–

22. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables from:		
Trading business (Note (a))	**346**	–
Financial services business		
– Cash clients (Note (b))	**1,287**	565
– Margin clients (Note (c))	**198,524**	48,993
– Clearing house (Note (b))	**1,431**	1,030
Less: allowance for trade receivables	**(38,236)**	(35,333)
	163,006	15,255
	163,352	15,255
Other receivables (Note (d))	**16,895**	31,737
Prepayments	**635**	910
	180,882	47,902

	2020 HK$'000	2019 HK$'000
Analysed for reporting purpose as:		
Non-current assets	**–**	12,197
Current assets	**180,882**	35,705
	180,882	47,902

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) Trading business

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 (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.

An aged analysis of trade receivables at the end of the reporting period based on the invoice date is as follows:

	2020 **HK$'000**	2019 HK$'000
Within 30 days	**346**	–

An aged analysis of these trade receivables past due but not impaired is as follows:

	2020 **HK$'000**	2019 HK$'000
1 to 30 days	**346**	–

Trade receivables which are past due at the end of the reporting period for which the Group had not recognised impairment allowance relate to an independent customer that has a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable. The Group did not hold any collateral or other credit enhancements over this balance nor did it have a legal right of offset against any amounts owed by the Group to the counterparty.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Cash clients and clearing house of financial services business

The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are one or two days after the respective trade date.

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

Movements of allowance of trade receivables from cash clients and clearing house are as follows:

	2020 **HK$'000**	2019 HK$'000
At 1 January	**259**	279
Impairment loss reversed (Note 9)	**(16)**	(20)
At 31 December	**243**	259

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

(c) Margin clients of financial services business

Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading and bear interests at commercial rates. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. The margin ratio is reviewed and determined periodically. As at 31 December 2020, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK$809,612,000 (2019: HK$63,157,000).

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

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

	2020 **HK$'000**	2019 HK$'000
At 1 January	**35,074**	32,396
Impairment loss recognised for the year (Note 9)	**2,919**	2,678
At 31 December	**37,993**	35,074

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

(d) Other receivables

As at 31 December 2020, other receivables include a balance of approximately HK$13,214,000 (2019: HK$25,411,000) due from a third party in respect of the disposal of an investment fund during the year ended 31 December 2019. As there is no history of default from this counterparty, 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.

23. BANK TRUST ACCOUNT BALANCES

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as bank trust account balances under current assets and recognised the corresponding payables to the respective clients as trade payables (Note 25). The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

24. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.001% to 0.15% (2019: 0.001% to 3.01%) per annum and have original maturity period of three months or less.

25. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables from:		
Trading business (Note (a))	**388**	–
Financial services business		
– Cash Clients (Note (b))	**6,412**	2,606
– Margin Clients (Note (b))	**10,769**	13,876
– Clearing house (Note (b))	**2,604**	568
	19,785	17,050
	20,173	17,050
Other payables	**703**	511
Accrued charges	**3,228**	6,395
	24,104	23,956

25. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(a) Trading business

An aged analysis of trade payables based on the date of invoice date, is as follows:

	2020 **HK$'000**	2019 HK$'000
Within 30 days	**388**	–

(b) Financial services business

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

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

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

26. BORROWINGS

	2020 **HK$'000**	2019 HK$'000
Loan notes, repayable within one year	**–**	20,800

The loan notes, which were unsecured and carried interest at 7% per annum, were fully repaid by the Group during the current year.

27. LEASE LIABILITIES

	2020 Present value of the minimum lease payments HK$'000	2020 Minimum lease payments HK$'000	2019 Present value of the minimum lease payments HK$'000	2019 Minimum lease payments HK$'000
Within one year	**6,237**	**6,676**	3,605	3,749
After one year but not more than two years	**2,909**	**2,960**	162	163
	9,146	**9,636**	3,767	3,912
Less: total future interest expense		**(490)**		(145)
Present value of lease liabilities		**9,146**		3,767
Less: Amount due for settlement within twelve months shown under current liabilities		**(6,237)**		(3,605)
Amount due for settlement after twelve months		**2,909**		162

The weighted average incremental borrowing rates applied to lease liabilities is 7% (2019: 7%) per annum.

28. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2019, 31 December 2019 and 31 December 2020	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	2,783,552,734	27,836

29. SHARE OPTION SCHEME

The 2013 Share Option Scheme

The Company's 2013 Share Option scheme (the "2013 Share Option Scheme") was adopted pursuant to an ordinary resolution passed by the Company's shareholders at the annual general meeting of the Company held on 4 June 2013.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the 2013 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of shares in issue on 4 June 2013 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the 2013 Share Option Scheme.

The 2013 Share Option Scheme will remain in force for a period of 10 years commencing from 4 June 2013. Options complying the provisions of the Listing Rules which are granted during the duration of the 2013 Share Option Scheme and remain unexercised immediately prior to the end of the 10 year period shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of the 2013 Share Option Scheme.

The subscription price for shares under the 2013 Share Option Scheme shall be a price determined by the Board, but shall not be lower than the highest of (i) the closing price of shares as stated in the daily quotation sheet of the Stock Exchange on the date on which the Board approves the making of the offer for the grant of options (the "Date of Grant"), which must be a trading day; (ii) the average closing price of shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of a share. The time of acceptance if an offer for the grant of options shall not be later than 21 days from the Date of Grant.

29. SHARE OPTION SCHEME *(Continued)*

The 2013 Share Option Scheme *(Continued)*

The following table discloses the movements of the share options granted under the 2013 Share Option Scheme during the years ended 31 December 2019 and 2020:

Name	Date of grant	Exercise period	Exercise price per share HK$	Number of share options				
				Outstanding as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2020
Director								
Mr. Sit Sai Hung, Billy (Note (b))	19/06/2019	19/6/2019 to 18/6/2021	0.1066	27,830,000	–	–	(27,830,000)	–
Mr. Siu Kam Chau (Note (c))	19/06/2019	19/6/2019 to 18/6/2021	0.1066	27,830,000	–	–	–	27,830,000
Total				55,660,000	–	–	(27,830,000)	27,830,000
Exercisable at the end of the year								27,830,000
Weighted average exercise price								HK$0.1066

29. SHARE OPTION SCHEME *(Continued)*

The 2013 Share Option Scheme *(Continued)*

Name	Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2019
Directors								
Mr. Wu William Wai Leung (Note (a))	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 (b))	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
Directors of an associate	10/4/2017	10/4/2017 to 9/4/2019	0.142	38,860,000	–	–	(38,860,000)	–
Employee (Note (c))	19/06/2019	19/6/2019 to 18/6/2021	0.1066	–	27,830,000	–	–	27,830,000
Total				67,860,000	55,660,000	–	(67,860,000)	55,660,000
Exercisable at the end of the year								27,830,000
Weighted average exercise price								HK$0.1066

Notes:

(a) Mr. Wu William Wai Leung resigned as an executive director with effect from 2 January 2019. During the year ended 31 December 2019, the share options granted to him were lapsed as a result of his resignation.

(b) Mr. Sit Sai Hung, Billy resigned as an executive director with effect from 29 April 2020. During the year ended 31 December 2020, the share options granted to him were lapsed as a result of his resignation.

(c) During the year ended 31 December 2019, share option was granted to then non-director employee of the Company, Mr. Siu Kam Chau. He was appointed as an executive director with effect from 29 April 2020.

29. SHARE OPTION SCHEME *(Continued)*

The 2013 Share Option Scheme *(Continued)*

The exercise price of share options outstanding at the end of the year was HK$0.1066 (2019: ranged between HK$0.1066 and HK$0.142) and their weighted average remaining contractual life was 0.47 year (2019: 1.47 years).

Of the total number of share options outstanding at the end of the year, 27,830,000 (2019: 27,830,000) had vested and were exercisable at the end of the year.

The fair value of 55,660,000 share options granted under the 2013 Share Option Scheme on 19 June 2019 was determined by the directors to be approximately HK$2,643,000 with reference to a valuation performed by an independent firm of professional valuers using a binomial model. The inputs into the model included grant date share price of HK$0.105, exercise price of HK$0.1066 per share, expected volatility of 89.47%, expected option life of 2 years, no expected dividend and estimated risk-free interest rate of 1.65%. The closing price of the Company's shares immediately before the date on which such options were granted was HK$0.109.

The risk-free rate was based on market yield from Hong Kong Exchange Fund Note with maturity matching the contractual option life of the share options as at the valuation date. The expected volatilities of the share prices were estimated by the best available average annualised standard deviations of the continuously compounded rates of return on the Company's share prices since the date of business transformation of the Group.

For the year ended 31 December 2020, the Group recognised equity-settled share-based payments expenses in aggregate of approximately HK$674,000 (2019: HK$1,969,000) in respect of the 2013 Share Option Scheme.

30. RETIREMENT BENEFIT SCHEMES

The Group operates a MPF Scheme for all qualifying employees including directors in Hong Kong. The assets of the MPF Scheme are held separately from those of the Groups in funds under the control of independent trustees. Both the Group and the employees contribute a fixed percentage to the MPF Scheme based on their monthly salary in accordance with government regulations. The MPF Scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

During the year ended 31 December 2020, the total amount contributed by the Group and charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$256,000 (2019: HK$434,000).

31. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group leases out certain office premises in Hong Kong under operating leases. The leases typically run for two years. None of the leases under contingent rentals. At the end of the reporting period, the Group's aggregate future minimum rental income receivables under non-cancellable operating leases is as follows:

	2020 **HK$'000**	2019 HK$'000
Within one year	**1,228**	–
More than one year but less than five years	**1,025**	–
	2,253	–

32. CAPITAL COMMITMENT

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

	2020 **HK$'000**	2019 HK$'000
Commitment contracted for but not provided for in respect of investment in an investment fund currently held by the Group	**4,211**	5,198

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

A subsidiary of the Company is licensed with Securities and Futures Commission of Hong Kong ("SFC") for the business it operated in. The Group's licensed subsidiary is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") (Chapter 571N of the Laws of Hong Kong) adopted by the SFC. Under SF(FR)R, the licensed subsidiary must maintain a liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of HK$3 million or 5% of its total adjusted liabilities, whichever is higher. The management closely monitors, on a daily basis, the liquid capital level of that licensed subsidiary to ensure compliance with the minimum liquid capital requirements under the SF(FR)R.

The directors review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group seeks to balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. For the licensed subsidiary, the Group ensures it will maintain a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increases in liquidity requirements arising from potential increases in the level of business activities.

The management monitors the capital structure on a regular basis by using a net debt-to-equity ratio. The Group's policy is to maintain the net debt-to-equity ratio at a reasonable level. The net debt-to-equity ratio as at the end of the reporting period was as follows:

	2020 **HK$'000**	2019 HK$'000
Debt (Note (i))	**–**	20,800
Cash and cash equivalents	**(204,512)**	(389,225)
Net cash	**(204,512)**	(368,425)
Equity (Note (ii))	**1,420,234**	1,381,806
Net debt-to-equity ratio	**N/A**	N/A

Notes:

(i) Debt comprised borrowings as detailed in Note 26.

(ii) Equity represents capital and reserves attributable to owners of the Company.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost:		
– Other assets	**180**	180
– Trade and other receivables	**180,247**	46,992
– Loans and interest receivables	**590,717**	363,490
– Bank trust account balances	**15,795**	15,899
– Bank balances and cash	**204,512**	389,225
	991,451	815,786
Financial assets at FVTPL	**294,903**	249,128
Debt instruments at FVTOCI	**102,304**	307,320
Financial liabilities		
Amortised cost:		
– Trade and other payables	**24,104**	23,956
– Borrowings	**–**	20,800
– Lease liabilities	**9,146**	3,767
	33,250	48,523

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loans and interest receivables, bank trust account balances, bank balances and cash, financial assets at FVTPL, debt instruments at FVTOCI, trade and other payables, borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

The Group operates mainly in Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollar ("USD"). As HK$ is linked to USD, the directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) *Interest rate risk*

The Group's fair value interest rate risk relates primarily to the loans and interest receivables, financial assets at FVTPL, debt instruments at FVTOCI and borrowings which carry at fixed rates. The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may consider to enter any hedging activities should the need arise.

The Group's cash flow interest rate risk relates primarily to variable-rate bank deposits. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of bank deposits interest rate arising from the Group's variable-rate bank deposits.

Sensitivity analysis

The sensitivity analysis below has been prepared based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2019: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2020 would increase/decrease by approximately HK$426,000 (2019: decrease/increase in post-tax loss by approximately HK$1,801,000).

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk

The Group's debt instruments at FVTOCI and financial assets at FVTPL are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to price risk. The management manages this exposure by closely monitoring the price risk and maintaining a portfolio of investments with different risks profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to debt/equity price risk of debt instruments at FVTOCI and financial assets at FVTPL at the end of the reporting period.

If the prices of the respective debt/equity instruments had been 5% (2019: 5%) higher/lower:

- post-tax profit for the year ended 31 December 2020 would increase/decrease by approximately HK$12,312,000 (2019: decrease/increase in post-tax loss by approximately HK$10,401,000) as a result of the changes in fair value of financial assets at FVTPL; and

- post-tax profit for the year ended 31 December 2020 would increase/decrease by approximately HK$4,271,000 (2019: decrease/increase in post-tax loss by approximately HK$12,831,000) as a result of the changes in fair value of debt instruments at FVTOCI.

Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position, mainly including receivables on margin financing, loans and interest receivables, debt instruments at FVTOCI, trade receivables from trading business and other receivables, bank trust account balances and bank balances and cash.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Stage 1	For financial assets where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired	12-month ECL
Stage 2	For financial assets where there has been a significant increase in credit risk since initial recognition but are not credit-impaired	Lifetime ECL – not credit-impaired
Stage 3	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred	Lifetime ECL – credit-impaired

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The table below details the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Notes	Category	12-month or lifetime ECL	2020 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000
Debt instruments at FVTOCI	19	Stage 1	12-month ECL	**98,978**	294,678
		Stage 2	Lifetime ECL – not credit-impaired	**3,326**	12,642
				102,304	307,320
Financial assets at amortised cost					
Trade receivables					
Financial services business – Cash client and clearing house	22	Stage 1	12-month ECL	**2,475**	1,336
		Stage 2	Lifetime ECL – not credit-impaired	**243**	259
				2,718	1,595
Financial services business – Margin clients	22	Stage 1	12-month ECL	**160,531**	13,919
		Stage 2	Lifetime ECL – not credit-impaired	**37,993**	35,074
				198,524	48,993
Trading business	22	N/A	Lifetime ECL (provision of matrix)	**346**	–
Other receivables	22	Stage 1	12-month ECL	**16,895**	31,737
Total trade and other receivables				**218,483**	82,325
Loans and interest receivables	18	Stage 1	12-month ECL	**543,341**	310,240
		Stage 2	Lifetime ECL – not credit-impaired	**–**	53,250
		Stage 3	Lifetime ECL – credit-impaired	**54,663**	4,820
				598,004	368,310
Bank trust account balances	23	Stage 1	12-month ECL	**15,795**	15,899
Bank balances and cash	24	Stage 1	12-month ECL	**204,512**	389,225

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment allowances to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECLs.

At the end of each reporting period, the Group should evaluate if there is a significant increase in credit risk on all financial assets since the initial recognition. A variety of factors were considered whereby the evaluation stage of ECLs of relevant financial instrument, which includes regulatory and operating environment, internal and external credit rating, solvency, managing ability, terms set out in loan contracts, repayment history and other forward-looking information. When performing evaluation on the significant increase in credit risk, the Group would take below factors into consideration, including but not limited to:

- Significant increase in credit spread;
- Actual or expected significant changes in external credit rating on the obligor or the debts;
- Significant adverse changes in business, financial and/or economic conditions in which the debtor operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the debtor;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default;
- Early signs of cash flow/liquidity problems such as delay in serving of loans; and
- Actual or expected changes in quality of credit support provided by the guarantor.

For the debtor's contractual payments (including principal and interest) that more than 30 days past due, the Group considers a financial instrument to have experienced a significant increase in credit risk and classified it into Stage 2, unless the Group has reasonable and supportable information that demonstrates otherwise.

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Definition of default and credit impaired financial asset

The Group defines a financial instrument as in default, which is aligned with the definition of credit-impaired. Evidence that a financial instrument is credit impaired include observable data about the follow events:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; and
- The debtor leaves any of principal, advance, interest or investment in listed bonds of the Group overdue for more than 90 days.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not necessarily due to a single event.

Receivables on margin financing

In respect of amounts due from clients, individual credit evaluations are performed on all clients (including cash and margin clients). Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the amounts due from cash clients is considered low. The Group normally obtains liquid securities and or cash deposits as collateral for providing margin financing to its clients. Margin loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each margin account and futures account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Receivables on margin financing (Continued)

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits and maintenance margin ratio/collateral coverage ratio for the margin financing, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Any subsequent change in value as well as quality of collateral is closely monitored in order to determine whether any corrective action is required. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk arising from trade receivables by geographical locations is mainly in Hong Kong, which accounted for 100% (2019: 100%) of the total trade receivables as at 31 December 2020.

Loans and interest receivables

For the loans and interest receivables, prior to the lending of loan, the Group will review the financial strength, purpose of the borrowing, repayment ability of the borrower to ensure that the borrower has sound financial repayment ability. The Group assesses the credit profiles of each individual debtors by analysing many factors that influence the default probability, including (but not limited to) the counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical performance. The Group also meets quarterly and reviews from time to time the financial conditions of the borrowers or the guarantors.

For mortgage loans and certain secured loans, the Group holds collateral against loans and interest receivables. Majority of the collateral are residential properties, commercial properties, industrial properties, shares of listed companies and pledged against the balances. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored. For unsecured or guaranteed loans, the Group assesses the credit quality of the borrower and guarantor based on the customer's financial position, past experience, internal and external credit rating of the customers and other factors.

As at 31 December 2020, loans and interest receivables of approximately HK$48,760,000 (2019: HK$66,600,000) were past due but not impaired. The Group make ECLs estimates based on the ageing of the loans and interest receivables, borrowers' creditworthiness, the payment delinquency of default in interest or principal payments, borrowers' business and the industry to which borrowers belong and local economic conditions. The directors are of the opinion that no provision of ECLs is necessary for loans and interest receivables as the respective principals and interests that have been overdue were still fully secured by the fair values of collaterals at their respective estimated selling prices.

However, loans and interest receivables for approximately HK$5,903,000 (2019:HK$4,820,000) were past due and impaired. The directors are of the opinion that the respective principals and interests that have been overdue were not secured by sufficient collaterals. Accordingly, impairment loss amounted to approximately HK$1,083,000 (2019: HK$4,820,000) was recognised for the year ended 31 December 2020.

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Loans and interest receivables (Continued)

For loans and interest receivables that are not credit-impaired without significant increase in credit risk, ECL is measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. During the year ended 31 December 2020, impairment loss amounted to approximately HK$1,384,000 (2019: HK$Nil) was recognised on loans and interest receivables with no sufficient collateral based on assessment from ECL model.

The Group's concentration of credit risk arising from loans and interest receivables by geographical locations is mainly in Hong Kong, which accounted for 100% (2019: 100%) of the total loans and interest receivables as at 31 December 2020.

Debt instruments at FVTOCI

Except for the debt instruments at FVTOCI with the carrying amount of approximately HK$3,334,000 (2019: HK$12,642,000) with significant increase in credit risk, all of the Group's debt instruments at FVTOCI are considered to have low credit risk. Management consider "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligation in the near term.

Trade receivables from trading business

For trade receivables arising from trading of healthcare related products, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics by reference to repayment histories and current past due exposure for customers. The weighted average ECL also incorporate forward looking information. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

	0–30 days past due	
	2020	2019
	HK$'000	HK$'000
Receivable amount	**346**	–
Weighted average expected loss rate	**0%**	–
Loss allowance	**–**	–

The Group's concentration of credit risk arising from trade receivables by geographical locations is mainly in Hong Kong, which accounted for 100% of the total trade receivables as at 31 December 2020.

The management of the Company does not expect any impairment on the trade receivables since the customer has good repayment records and continuous business with the Group.

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Other receivables

As at 31 December 2020, the directors assessed the ECLs for other receivables are not material when they do not have any default history and the debtors has a strong capacity to meet its contractual cash flow obligations in the near term.

Bank trust account balances and bank balances and cash

In respect of cash deposited with banks and financial institutions, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these financial institutions. The ECLs of these bank balances and cash is close to zero.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent the interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2020					
Non-derivative financial liabilities					
Trade and other payables	**–**	**24,104**	**–**	**24,104**	**24,104**
Borrowings	**–**	**–**	**–**	**–**	**–**
Lease liabilities	**7%**	**6,676**	**2,960**	**9,636**	**9,146**
		30,780	**2,960**	**33,740**	**33,250**
At 31 December 2019					
Non-derivative financial liabilities					
Trade and other payables	–	23,956	–	23,956	23,956
Borrowings	7%	21,156	–	21,156	20,800
Lease liabilities	7%	3,749	163	3,912	3,767
		48,861	163	49,024	48,523

Fair value measurements of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements 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 are determined (in particular, the valuation techniques(s) and inputs used).

34. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

Financial assets	Fair value as at 31 December 2020	Fair value hierarchy	Valuation technique(s)
Equity securities listed in Hong Kong classified as financial assets at FVTPL	HK$47,124,000 (2019: HK$6,658,000)	Level 1	Quoted bid prices
Suspended Shares listed in Hong Kong classified as financial assets at FVTPL	HK$1,346,000 (2019: HK1,223,000)	Level 3	Index return method (Note (a))
Suspended Shares listed in Hong Kong classified as financial assets at FVTPL	HK$179,289,000 (2019: HK$142,792,000)	Level 3	Guideline public company method (Note (b))
Unlisted investment funds classified as financial assets at FVTPL	HK$67,144,000 (2019: HK$86,750,000)	Level 2	Net asset value provided by fund administrator
Listed bond investments classified as debt instruments at FVTPL	HK$Nil (2019: HK$11,705,000)	Level 1	Quoted bid prices
Listed bond investments classified as debt instruments at FVTOCI	HK$102,304,000 (2019: HK$307,320,000)	Level 1	Quoted bid prices

Notes:

(a) Under the index return method, the fair value was determined where the last trading price of the Suspended Shares are adjusted by the change of returns of the comparable public companies in the period since the suspension date.

(b) Under the guideline public company method, the enterprise value to revenue multiple is adopted as the most preferable valuation multiple as the investee's earnings are highly correlated with its revenue.

The fair values of equity securities listed in Hong Kong are based on quoted bid prices. The fair values of the Suspended Shares, are based on the reference to market comparable companies. The valuation methods are based on assumptions that are not supported by observable market prices or rates. The valuation requires making estimates about the movements of share prices of other comparable companies during the suspension period and discount for lack of marketability. Management believes that the estimated fair value resulting from the valuation technique is reasonable, and that it was the most appropriate value at the end of the reporting period.

34. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative analysis as at 31 December 2020:

	Valuation technique	Significant unobservable input	Range/Percentage	Sensitivity of fair value to the input
Suspended Shares listed in Hong Kong classified as financial assets at FVTPL	Index Return Method	Change in returns of comparable companies during the suspension period	58.697% to -84.397% (2019: 52.512% to -57.447%)	10% increase/decrease in the change in returns would result in increase/ decrease in fair value by approximately HK$87,000 (2019: HK$52,000).
		Discount for lack of marketability	32.22% (2019: 48.98%)	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in fair value by approximately HK$61,000 (2019: HK$122,000).
	Guideline Public Company Method	Enterprise value to revenue multiple of comparable companies	0.032 to 6.602 (2019: 0.118 to 8.361)	10% increase/decrease in the change in enterprise value to revenue multiple would result in increase/decrease in fair value by approximately HK$8,337,000 (2019: HK$7,308,000).
		Discount for lack of marketability	32.22% (2019: 48.98%)	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in fair value by approximately HK$5,638,000 (2019: HK$14,215,000).

34. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2020

	Fair value measurement using			
	Quoted bid price in active markets Level 1 HK$'000	Significant observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Listed equity securities	47,124	–	180,635	227,759
Listed bond investments	–	–	–	–
Unlisted investment funds	–	67,144	–	67,144
Debt instruments at FVTOCI				
Listed bond investments	102,304	–	–	102,304
	149,428	67,144	180,635	397,207

As at 31 December 2019

	Fair value measurement using			
	Quoted bid price in active markets Level 1 HK$'000	Significant observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Listed equity securities	6,658	–	144,015	150,673
Listed bond investments	11,705	–	–	11,705
Unlisted investment funds	–	86,750	–	86,750
Debt instruments at FVTOCI				
Listed bond investments	307,320	–	–	307,320
	325,683	86,750	144,015	556,448

34. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

There was no transfer between the different levels of the fair value hierarchy for the years ended 31 December 2020 and 2019. The movements in fair value measurements in Level 3 are as follows:

	2020 HK$'000	2019 HK$'000
Financial assets at FVTPL		
At 1 January	**144,015**	194,996
Net change in unrealised gain/(loss) recognised in profit or loss	**36,620**	(50,981)
At 31 December	**180,635**	144,015

Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and the Group intends to settle on a net basis. In addition, the Group has a legally enforceable right to set off the trade receivables from and payables to clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

As at 31 December 2020

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amount not offset in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Collateral received HK$'000	
Trade receivables arising from the business of dealing in securities	187,114	(24,108)	163,006	(1,431)	(161,575)	–

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial assets and financial liabilities offsetting *(Continued)*

As at 31 December 2020 *(Continued)*

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amount not offset in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Collateral pledged HK$'000	
Trade payables arising from the business of dealing in securities	**43,893**	**(24,108)**	**19,785**	**(1,431)**	**–**	**18,354**

As at 31 December 2019

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amount not offset in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Collateral received HK$'000	
Trade receivables arising from the business of dealing in securities	17,156	(1,901)	15,255	(1,030)	(14,225)	–

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial assets and financial liabilities offsetting *(Continued)*

As at 31 December 2019 (Continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amount not offset in the consolidated statement of financial position: Financial instruments HK$'000	Collateral pledged HK$'000	Net amount HK$'000
Trade payables arising from the business of dealing in securities	18,951	(1,901)	17,050	(1,030)	–	16,020

35. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

Compensation of key management personnel

	2020 HK$'000	2019 HK$'000
Short-term employee benefits	**14,495**	13,330
Post-employment benefits	**36**	36
Share-based payments	**337**	993
	14,868	14,359

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries directly and indirectly held by the Company at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation or establishment/ principal place of operations	Issued and fully paid share capital/ registered capital	Principal activities	Proportion of ownership interest held by the Company Directly 2020	Directly 2019	Indirectly 2020	Indirectly 2019	Proportion of voting power held by the Company 2020	2019
Classictime Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding and securities trading	**100%**	100%	**–**	–	**100%**	100%
Colour Brave Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Fast Choice Limited	Hong Kong	Ordinary share HK$1	Personnel management	**–**	–	**100%**	100%	**100%**	100%
Hong Kong Gogreen Management Limited	Hong Kong	Ordinary share HK$1	Provision of management services for the group companies	**–**	–	**100%**	100%	**100%**	100%
Plenty Cash Investment Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Profitsway Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%	**100%**	100%
Favour Brightness Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%	**100%**	100%
E Cash Fintech Limited (formerly known as E-Cash Finance Limited)	Hong Kong	Ordinary share HK$1	Provision of money lending	**–**	–	**100%**	–	**100%**	–
E Finance Limited	Hong Kong	Ordinary share HK$100	Provision of money lending	**–**	–	**100%**	100%	**100%**	100%
Golden Moral Investments Limited	British Virgin Islands	Ordinary share US$2	Investment holding	**100%**	100%	**–**	–	**100%**	100%

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or establishment/ principal place of operations	Issued and fully paid share capital/ registered capital	Principal activities	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company	
				Directly		Indirectly			
				2020	2019	**2020**	2019	**2020**	2019
Power Securities Company Limited	Hong Kong	Ordinary share HK$500,000,000	Licensed to carry on regulated activity in connection with dealing in securities	**–**	–	**100%**	100%	**100%**	100%
Red Metro Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Power Asset Management Company Limited	Hong Kong	Ordinary share HK$7,000,000	Asset management	**–**	–	**100%**	100%	**100%**	100%
Power Corporate Finance Company Limited	Hong Kong	Ordinary share HK$5,000,000	Corporate finance	**–**	–	**`100%**	100%	**100%**	100%
Key Winner Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Bonus First Group Limited	British Virgin Islands	Ordinary share US$200	Property holding	**–**	–	**100%**	100%	**100%**	100%
Power Global Trading Company Limited (formerly known as "Power Investment Management Company Limited")	Hong Kong	Ordinary share HK$1	Trading of healthcare related products	**–**	–	**100%**	100%	**100%**	100%

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, results in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings (Note 26) HK$'000	**Lease liabilities** (Note 27) HK$'000
At 1 January 2019	37,400	–
Adjustment upon the adoption of HKFRS 16	–	7,281
Changes from cash flows:		
Payment of lease liabilities	–	(3,912)
Repayment of loan notes	(16,600)	–
Interest paid	(2,100)	–
Total changes from financing cash flows:	(18,700)	(3,912)
Other change:		
Interest expense	2,100	398
At 31 December 2019 and 1 January 2020	**20,800**	**3,767**
New lease entered	**–**	**10,722**
Changes from cash flows:		
Payment of lease liabilities	**–**	**(5,910)**
Repayment of loan notes	**(20,800)**	**–**
Interest paid	**(107)**	**–**
Total changes from financing cash flows:	**(20,907)**	**(5,910)**
Other change:		
Interest expense	**107**	**567**
At 31 December 2020	**–**	**9,146**

38. 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 are deemed to be closed as between the Plaintiffs and Classictime but discovery has not taken place.

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

(ii) Zhu Xiao Yan Petition

Classictime is one of the thirty three respondents in a petition made by Zhu Xiao Yan as the petitioner ("Petitioner") under a set of legal proceedings in the High Court of Hong Kong ("Petition"). In summary, the Petitioner alleged that the detriment suffered by her to the real value of her shares in Convoy was a consequence of the unfairly prejudicial mismanagement or misconduct in and about the business and affairs of, amongst other companies, Convoy, CCL and CSL. Such allegations made are mainly based on those set out in the writ in the Convoy HC Action.

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

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

38. CONTINGENT LIABILITIES *(Continued)*

(iii) Counterclaim made by Best Year Enterprises Limited ("Best Year')

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

On 24 June 2019, the Court made a winding-up order (the "Winding-up Order") against Best Year. By reason of the Winding-up Order, the counterclaim by Best Year against Power Securities and Mr. Sit Sai Hung, Billy was stayed. On 24 June 2019, Power Securities and Mr. Sit Sai Hung, Billy 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.

(iv) Writ of summons by Best Year

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

By reason of the Winding-up Order as set out in Section (iii) above, the claim by Best Year against Power Securities was stayed. On 23 July 2019, Power Securities took out an application to strike out Mr. Sin's claim. By Coleman J's Order as set out in Section (iii) above, Mr. Sin's claim was struck out. On 9 March 2020, Mr. Sin filed a notice of appeal against Coleman J's order. 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 view that (i) it is premature to determine the possible outcome of any claim which is pending; (ii) it is uncertain to quantify any financial impact which will have a material effect on the financial position of the Company; and (iii) no provision for the claims of these legal proceedings is required to be made based on its current development.

39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**69**	52
Investments in subsidiaries		**209,679**	220,871
		209,748	220,923
CURRENT ASSETS			
Amounts due from subsidiaries		**1,525,829**	1,630,260
Other receivables		**702**	1,162
Bank balances and cash		**8,718**	31,891
		1,535,249	1,663,313
CURRENT LIABILITIES			
Amounts due to subsidiaries		**479,718**	572,298
Other payables and accruals		**1,495**	2,969
Borrowings		**–**	20,800
		481,213	596,067
NET CURRENT ASSETS		**1,054,036**	1,067,246
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,263,784**	1,288,169
NET ASSETS		**1,263,784**	1,288,169
CAPITAL AND RESERVES			
Share capital		**27,836**	27,836
Reserves	39(b)	**1,235,948**	1,260,333
TOTAL EQUITY		**1,263,784**	1,288,169

39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company:

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share-based payments reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	3,800,250	861	494,907	2,370	(2,977,149)	1,321,239
Loss and total comprehensive income for the year	–	–	–	–	(62,875)	(62,875)
Lapse of share options	–	–	–	(2,370)	2,370	–
Recognition of equity-settled share-based payments	–	–	–	1,969	–	1,969
At 31 December 2019 and 1 January 2020	**3,800,250**	**861**	**494,907**	**1,969**	**(3,037,654)**	**1,260,333**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(25,059)**	**(25,059)**
Lapse of share options	**–**	**–**	**–**	**(1,332)**	**1,332**	**–**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**674**	**–**	**674**
At 31 December 2020	**3,800,250**	**861**	**494,907**	**1,311**	**(3,061,381)**	**1,235,948**

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2020

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below:

RESULTS

	For the year ended 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Revenue					
– Continued operations	70,555	35,545	41,613	84,172	**101,716**
– Discontinued operation	53,569	–	–	–	**–**
	124,124	35,545	41,613	84,172	**101,716**
(Loss)/profit before tax	(915,727)	(922,431)	(500,152)	(69,433)	**46,716**
Income tax expense	(5,847)	(450)	(810)	(1,810)	**(2,537)**
Loss for the year from discontinued operation	(5,986)	–	–	–	**–**
(Loss)/profit for the year	(927,560)	(922,881)	(500,962)	(71,243)	**44,179**
(Loss)/profit for the year attributable to:					
Owners of the Company	(926,717)	(922,661)	(500,918)	(71,651)	**44,190**
Non-controlling interests	(843)	(220)	(44)	408	**(11)**
	(927,560)	(922,881)	(500,962)	(71,243)	**44,179**

ASSETS AND LIABILITIES

	As at 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Total assets	3,252,423	2,180,409	1,544,390	1,434,426	**1,456,134**
Total liabilities	(378,285)	(166,200)	(99,000)	(50,749)	**(33,950)**
	2,874,138	2,014,209	1,445,390	1,383,677	**1,422,184**
Equity attributable to owners of the Company	2,869,036	2,009,327	1,443,927	1,381,806	**1,420,324**
Non-controlling interests	5,102	4,882	1,463	1,871	**1,860**
	2,874,138	2,014,209	1,445,390	1,383,677	**1,422,184**