

TARGET

Intelligence Report

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S A T U R D A Y

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POWER FINANCIAL GROUP LTD: AT LAST ! A PROFIT EMERGES FROM THE CHASM OF FOUR YEARS OF LOSSES

On September 17, 2021, Power Financial Group Ltd (權威金融集團有限公司) (Code: 397, Main Board, The Stock Exchange of Hongkong Ltd) published and disseminated its 2021 Interim Report in respect of the six months, ended June 30, 2021.

Management reported that, on a Revenue of \$HK49,727,000.00, the Net Profit Attributable to Shareholders came in at \$HK171,611,000.00.

Under the heading, '*Gross Profit*', it was shown, at Page Four of the 2021 Interim Report, that '*Other income, gains and losses*' amounted to \$HK169,499,000.00.

Almost too good to believe, one might suggest, but the following **TARGET** (泰達財經) table gives one a much-clearer picture of Management's Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income:

| | Six Months, Ended June 30 | | Percentage Increase/(Decrease) * |
|---|---|---------------|----------------------------------|
| | 2021 | 2020 | |
| | All Figures Are Denominated In \$HK’000 (except where otherwise specified) | | |
| Revenue | 49,727 | 52,863 | (5.93) |
| Gross Profit | 43,232 | 35,604 | 21.42 |
| Gross Profit Margin * | 86.94 percent | 67.35 percent | 29.09 |
| Other Income, Gains and Losses | 169,499 | 1,959 | 8,552.32 |
| Profit for the Period | 171,604 | 10,844 | 1,482.48 |
| Net Profit Attributable To Shareholders | 171,611 | 10,853 | 1,481.23 |
| Earnings Per Share | HK6.17 cents | HK0.39 cents | 1,482.05 |

* These are **TARGET**'s calculations.

With regard to the fourth item in the above table, '*Gross Profit Margin*', at Page 18 of the 2021 Interim Report, the following table was presented and, once more, on scanning this table, the picture becomes considerably clearer about the Company's financials:

| | Six Months, Ended June 30 | |
|--|---------------------------|------|
| | 2021 | 2020 |

| | All Figures Are Denominated In \$HK'000 | |
|--|---|---------|
| Interest Income | 72 | 1,387 |
| Sundry Income | 90 | 50 |
| Rental Income | 1,289 | Nil |
| Dividend Income from Listed Equity Securities | 60 | 13 |
| Gain on Fair Value Changes of Financial Assets at FVTPL* | 167,194 | 2,838 |
| Gain/(Loss) on Disposal of Debt Instruments at FVTOCI* | 794 | (2,329) |
| | 169,499 | 1,959 |

* FVTPL = Fair Value Through Profit or Loss.

* FVTOIC = Fair Value Through the Statement of Other Comprehensive Income.

It is very clear that, without the gain on Fair Value Through Profit or Loss, the resultant figure would have been reduced by \$HK2,305,000.00 against the 2020 figure of \$HK1,959,000.00.

At Page Nine of the 2021 Interim Report, there is another table, headlined '*Condensed Consolidated Statement of Cash Flows*':

| | Six Months, Ended June 30 | | Percentage Increase/(Decrease) * |
|--|---|--------------|----------------------------------|
| | 2021 | 2020 | |
| | All Figures Are Denominated In \$HK'000 (except where otherwise specified) | | |
| Operating Activities: | | | |
| Net Cash used in Operating Activities | (91,290) | (115,172) | (20.74) |
| Investing Activities: | | | |
| Interest Received | 72 | 1,387 | (94.81) |
| Purchase of Property, Plant and Equipment | (2,391) | Nil | N/A |
| Purchase of Investment Funds | | | |
| Proceeds from Disposal of Investment Funds | (170) 6,702 | Nil 6,099 | N/A 9.89 |
| Net Cash Generated from Investment Funds | 4,213 | 7,486 | (43.72) |
| Financing Activities: | | | |
| Interest Paid | Nil | (107) | N/A |
| Payment of Lease Liabilities | (3,123) | (1,955) | 59.74 |
| Repayment of Loan Notes | Nil | (20,800) | N/A |
| Net Cash Used In Financing Activities | (3,123) | (22,862) | (86.34) |
| Decrease in Cash and Cash Equivalents | (90,200) | (130,548) | (30.91) |
| Cash and Cash Equivalents at the Beginning of the Period | 204,512 | 389,225 | (47.46) |
| Cash and Cash Equivalents at the End of the Period, Represented by Bank Balances and Cash | 114,312 | 258,677 | (55.81) |

The Business Of Power Financial Group Ltd

The businesses of Power Financial Group Ltd are as follows:

- **The Financial Services Segment:** The provision of financial services, including securities brokerage, placing, and corporate finance advisory services in the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)**;
- **The Money Lending Segment:** The Provision of loan financing in the HKSAR;

(According to Page 23 of the 2021 Interim Report, Power Financial Group Ltd charges interest rates, ranging from a low of nine percent per annum to a high of 36 percent per annum.)

- **The Trading Segment:** Trading of healthcare-related products in the HKSAR and to overseas; and,
- **The 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.

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