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中達集團控股有限公司

CENTRAL WEALTH GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the “**Board**”) of Central Wealth Group Holdings Limited (the “**Company**”) announces the annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 (the “**Year**”) together with comparative figures for the previous period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
REVENUE			
Financial investments and services		74,697	26,146
Brokerage and commission income		522,691	841,798
Property investment		–	1,350
Advisory fee income		72,462	78,450
		<u>669,850</u>	<u>947,744</u>
	4		
Brokerage and commission expenses		<u>(311,013)</u>	<u>(405,065)</u>
Gross profit		358,837	542,679

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)*For the year ended 31 December 2020*

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income and gains/(losses), net	4	17,018	(7,179)
Administrative expenses		(208,293)	(213,559)
Other operating expenses		(6,196)	(5,962)
Finance costs	5	(48,215)	(60,561)
Unrealised fair value gains/(losses) on equity and fund investments at fair value through profit or loss, net		42,483	(4,805)
Unrealised fair value (losses)/gains on debt, net investments at fair value through profit or loss, net		(7,756)	19,753
Provision for credit loss allowances on other financial assets		(103,838)	(89,651)
Loss on revaluation of investment property	10	(10,000)	(45,000)
Gain on deemed disposal of an associate		–	105,739
Gain on disposal of subsidiaries		1,345	–
Share of profit of an associate		–	7,065
		<hr/>	<hr/>
PROFIT BEFORE INCOME TAX	6	35,385	248,519
Income tax expense	7	(7,627)	(40,132)
		<hr/>	<hr/>
PROFIT FOR THE YEAR			
ATTRIBUTABLE TO OWNERS OF THE COMPANY		27,758	208,387
		<hr/> <hr/>	<hr/> <hr/>
DIVIDENDS	8	–	–
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	9	HK0.18 cent	HK1.42 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted	9	HK0.18 cent	HK1.41 cents
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>27,758</u>	<u>208,387</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>6,108</u>	<u>(1,075)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments at fair value through other comprehensive income:		
Changes in fair value, net of tax	(46,342)	(901,061)
Share of other comprehensive loss of an associate	<u>–</u>	<u>(6,711)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(46,342)</u>	<u>(907,772)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>(12,476)</u></u>	<u><u>(700,460)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		6,682	15,466
Investment property	<i>10</i>	–	390,000
Right-of-use assets		36,828	21,632
Intangible assets		500	500
Equity investments at fair value through other comprehensive income	<i>11</i>	344,559	506,650
Deferred tax assets		283	4,391
Loan receivables from money lending business	<i>12</i>	363,154	89,805
Deposits and prepayment		11,775	30,847
Total non-current assets		763,781	1,059,291
CURRENT ASSETS			
Loan receivables from money lending business	<i>12</i>	153,935	356,657
Trade receivables from securities and futures dealing business	<i>13</i>	306,785	412,344
Trade receivables from placing and asset management business	<i>14</i>	43,505	52,265
Prepayments, deposits and other receivables		91,995	91,999
Equity and fund investments at fair value through profit or loss	<i>15</i>	373,649	115,505
Debts investments at fair value through profit or loss		241,919	168,530
Cash and bank balances		140,440	99,219
Bank balances held on behalf of clients		436,471	71,352
Total current assets		1,788,699	1,367,871
CURRENT LIABILITIES			
Trade payables	<i>16</i>	440,015	74,108
Lease liabilities		29,295	20,010
Third party interest in consolidated investment fund		86,358	109,599
Other payables and accruals	<i>17</i>	67,558	63,497
Other borrowings	<i>18</i>	364,972	429,854
Bank borrowings	<i>18</i>	102,716	113,057
Bank overdrafts	<i>18</i>	86,408	117,103
Tax payable		9,854	39,715
Total current liabilities		1,187,176	966,943

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NET CURRENT ASSETS		601,523	400,928
TOTAL ASSETS LESS CURRENT LIABILITIES		1,365,304	1,460,219
NON-CURRENT LIABILITIES			
Notes payable		86,574	86,574
Bank borrowings	<i>18</i>	–	148,283
Lease liabilities		1,371	5,142
Deferred tax liabilities		85	4,873
Total non-current liabilities		88,030	244,872
Net assets		1,277,274	1,215,347
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>19</i>	159,697	147,197
Reserves		1,117,577	1,068,150
Total equity		1,277,274	1,215,347

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

They have been prepared under the historical cost convention, except for the equity, fund and debt investments and investment property which have been measured at fair values. These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

(a) Adoption of new and revised HKFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2020, the Group has applied, for the first time, the following new and revised standards issued by the HKICPA.

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

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. NEW AND AMENDMENTS TO 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 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendment to HKFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Except for the new and amendments to HKFRSs mentioned below, 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.

Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- Modification of financial assets, financial liabilities and lease liabilities. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- Disclosures. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several Hong Kong Interbank Offered Rate (“HIBOR”) bank loans which will or may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) What is meant by a right to defer settlement;
 - (ii) That a right to defer must exist at the end of the reporting period;

- (iii) That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- (iv) That only if an option at the discretion of the counterparty included in the terms of a convertible liability is itself an equity instrument in accordance with HKAS 32 Financial Instrument: Presentation would not affect the current or non-current classification of the liability.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

The amendments require retrospective application.

The directors of the Company are currently assessing the impact of the amendments on the consolidated financial statements and whether existing loan agreement may require renegotiation.

3. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the operating segments are as follows:

- (a) the financial investments and services segment comprises financial investments and trading, debt, fund and equity investments and money lending business;
- (b) the brokerage and commission segment comprises provision of trading in securities and futures contracts services;
- (c) the property investments segment comprises leasing of investment properties; and
- (d) the corporate and others segment comprises corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is measured consistently with the Group's profit before income tax except that bank interest income, gain on disposal of subsidiaries, shares of profit of an associate, gain on deemed disposal of an associate, finance costs, head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, investment in an associate, deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude notes payable, bank overdrafts, bank borrowings, other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the year ended 31 December 2020

	Financial investments and services <i>HK\$'000</i>	Brokerage and commission <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:					
External	75,162	562,627	–	32,061	669,850
Intersegment sales	634	858	–	–	1,492
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	75,796	563,485	–	32,061	671,342
Elimination	(634)	(858)	–	–	(1,492)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>75,162</u>	<u>562,627</u>	<u>–</u>	<u>32,061</u>	<u>669,850</u>
Segment results	<u>(2,791)</u>	<u>95,634</u>	<u>(10,259)</u>	<u>(197)</u>	<u>82,387</u>
 <i>Reconciliation:</i>					
Bank interest income					444
Gain on disposal of subsidiaries					1,345
Unallocated expenses					(576)
Finance costs					(48,215)
					<hr/>
Profit before income tax					35,385
Income tax expense					(7,627)
					<hr/>
Profit for the year					<u>27,758</u>
 Assets and liabilities					
Segment assets	1,503,702	872,393	–	35,495	2,411,590
<i>Reconciliation:</i>					
Unallocated assets					140,890
					<hr/>
Total assets					<u>2,552,480</u>
 Segment liabilities					
Segment liabilities	81,942	492,994	–	42,623	617,559
<i>Reconciliation:</i>					
Unallocated liabilities					657,647
					<hr/>
Total liabilities					<u>1,275,206</u>

For the year ended 31 December 2019

	Financial investments and services <i>HK\$'000</i>	Brokerage and commission <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:					
External	25,468	903,166	1,350	17,760	947,744
Intersegment sales	–	2,646	–	1,522	4,168
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	25,468	905,812	1,350	19,282	951,912
Elimination	–	(2,646)	–	(1,522)	(4,168)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>25,468</u>	<u>903,166</u>	<u>1,350</u>	<u>17,760</u>	<u>947,744</u>
Segment results	<u>23,887</u>	<u>302,220</u>	<u>(43,989)</u>	<u>(84,734)</u>	197,384
<i>Reconciliation:</i>					
Bank interest income					352
Gain on deemed disposal of an associate					105,739
Unallocated expenses					(1,460)
Finance costs					(60,561)
Share of profit of an associate					7,065
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Profit before income tax					248,519
Income tax expense					(40,132)
					<hr/>
Profit for the year					<u>208,387</u>
Assets and liabilities					
Segment assets	1,282,646	628,757	390,049	22,028	2,323,480
<i>Reconciliation:</i>					
Unallocated assets					103,682
					<hr/>
Total assets					<u>2,427,162</u>
Segment liabilities	110,915	122,337	87	33,977	267,316
<i>Reconciliation:</i>					
Unallocated liabilities					944,499
					<hr/>
Total liabilities					<u>1,211,815</u>

Other segment information

For the year ended 31 December 2020

	Financial investments and services <i>HK\$'000</i>	Brokerage and commission <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Depreciation on property, plant and equipment	-	10,899	-	770	11,669
Depreciation on right-of-use assets	-	16,181	-	13,890	30,071
Provision for credit loss allowances on loan receivables from money lending business, net	4,502	-	-	-	4,502
Provision for credit loss allowances on trade receivables from securities and futures dealing business, net	-	96,970	-	-	96,970
Provision for credit loss allowances on trade receivables from placing and asset management business, net	-	-	-	1,269	1,269
Provision for credit loss allowances on financial assets included in prepayments, deposits and other receivables, net	1,097	-	-	-	1,097
Loss on revaluation of investment property	-	-	10,000	-	10,000
Capital expenditure*	-	1,973	-	-	1,973

* Capital expenditure consists of additions to property, plant and equipment.

For the year ended 31 December 2019

	Financial investments and services <i>HK\$'000</i>	Brokerage and commission <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Depreciation on property, plant and equipment	–	2,146	8	1,556	3,710
Depreciation on right-of-use assets	–	6,139	–	14,164	20,303
Provision for credit loss allowances on loan receivables from money lending business, net	18,284	–	–	–	18,284
Provision for credit loss allowances on trade receivables from securities and futures dealing business, net	–	79,374	–	–	79,374
(Reversal of)/provision for credit loss allowances on trade receivables from placing and asset management business, net	–	(605)	–	193	(412)
Reversal of credit loss allowances on financial assets included in prepayments, deposits and other receivables, net	(7,595)	–	–	–	(7,595)
Share of profit of an associate	–	–	–	(7,065)	(7,065)
Gain on deemed disposal of an associate	–	–	–	(105,739)	(105,739)
Loss on revaluation of investment property	–	–	45,000	–	45,000
Write off of property, plant and equipment	–	–	–	9	9
Capital expenditure*	–	14,283	–	820	15,103

* Capital expenditure consists of additions to property, plant and equipment.

Geographical information

The following tables present derived revenue from external customers for the years ended 31 December 2020 and 2019, and certain non-current assets information as at 31 December 2020 and 2019, by geographical region.

	Hong Kong		PRC		Total	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from external customers	<u>629,072</u>	<u>885,533</u>	<u>40,778</u>	<u>62,211</u>	<u>669,850</u>	<u>947,744</u>
Non-current assets	<u>756,633</u>	<u>1,044,213</u>	<u>7,148</u>	<u>15,078</u>	<u>763,781</u>	<u>1,059,291</u>
Non-current assets*	<u>37,178</u>	<u>412,773</u>	<u>6,832</u>	<u>14,825</u>	<u>44,010</u>	<u>427,598</u>

* Excluded equity investments at fair value through other comprehensive income, deferred tax assets, loan receivables from money lending business and deposits and prepayment.

Information about major customers and suppliers

The aggregate revenue during the year attributable to the Group's five largest customers was 49.00% (2019: 68.04%) of the Group's total revenue, of which 13.99% (2019: 37.07%) was made to the largest customer.

There was no single supplier or aggregate any five suppliers that contributed to 10% or more of the Group's total purchase during the year (2019: Nil).

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors of the Company, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's customer or suppliers during the year.

4. REVENUE, OTHER INCOME AND GAINS/(LOSSES), NET

An analysis of revenue and other income and gains/(losses), net is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<u>Revenue</u>		
<i>Revenue from contracts with customers within the scope of HKFRS 15 recognised at a point in time</i>		
Commission income from securities and futures dealing	9,246	9,690
Commission income from placing	469,175	790,589
Performance fee income	407	3,664
Management fee income	72,055	74,786
<i>Revenue from other sources outside the scope of HKFRS 15</i>		
Losses on disposal of equity investments at fair value through profit or loss	(19,275)	(25,585)
Gain on disposal of debt investments at fair value through profit or loss	29,582	142
Dividend income from investment in listed equity securities	10,693	7,523
Interest income from money lending business	36,695	36,982
Interest income from securities margin	44,270	41,519
Interest income from debt investments	17,002	7,084
Property rental income	–	1,350
	<u>669,850</u>	<u>947,744</u>

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
<u>Other income and gains/(losses), net</u>			
Bank interest income		444	352
Handling fee income		1,641	3,773
Change in third party interest in consolidated investment fund	<i>(i)</i>	7,172	(13,844)
Wages subsidies of the Employment Support Scheme	<i>(ii)</i>	2,065	–
Rental income	<i>(iii)</i>	1,074	–
Others		4,622	2,540
		<u>17,018</u>	<u>(7,179)</u>

Notes:

- (i) This amount represented the net change in net asset value of consolidated investment fund attributable to third-party shareholders.
- (ii) Government grants were received by certain subsidiaries in connection with Employment Support Scheme which was approved by the Finance Committee of Legislative Counsel of the HKSAR on 18 April 2020. There were no unfulfilled conditions or contingencies relating to these grants.
- (iii) This amount represented the rental income from subleases the properties under operating lease arrangements with leases negotiated for less than one year.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	5,879	8,726
Interest on other borrowings	31,012	42,489
Interest on bank overdrafts	5,398	3,258
Interest on notes payable	4,468	4,431
Interest on lease liabilities	1,383	1,130
Others	75	527
	<u>48,215</u>	<u>60,561</u>

6. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation		
Right-of-use assets	30,071	20,303
Property, plant and equipment	11,669	3,710
	<u>41,740</u>	<u>24,013</u>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	203,922	186,694
Equity-settled share option arrangements, net	–	66,809
Retirement benefit scheme contributions	1,989	2,224
	<u>205,911</u>	<u>255,727</u>
Minimum lease payments under operating leases*	53	1,454
Auditor's remuneration	1,826	1,774
Provision for credit loss allowances on loan receivables from money lending business, net	4,502	18,284
Provision for credit loss allowances on trade receivable from securities and futures dealing business, net	96,970	79,374
Provision for/(reversal of) credit loss allowance on trade receivable from placing and asset management business, net	1,269	(412)
Provision for/(reversal of) credit loss allowances on financial assets included in prepayments, deposits and other receivables, net	1,097	(7,595)
Write off of property, plant and equipment	–	9
Loss on revaluation of investment property	10,000	45,000
Foreign exchange differences, net	1,712	2,479

* The amount represented short-term lease payments for the year ended 31 December 2020 and 2019 under HKFRS 16.

As at 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2019: Nil).

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in the PRC in the current year have been calculated at the rates of tax prevailing in the PRC in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	17,603	28,511
Overprovision in prior years	(99)	–
	<u>17,504</u>	<u>28,511</u>
Current – the PRC		
Charge for the year	–	8,405
Overprovision in prior years	(8,969)	–
	<u>(8,969)</u>	<u>8,405</u>
Deferred	<u>(908)</u>	<u>3,216</u>
Income tax expense	<u><u>7,627</u></u>	<u><u>40,132</u></u>

8. DIVIDENDS

The directors of the Company do not recommend the payment of any final dividend for the year (2019: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company of HK\$27,758,000 (2019: HK\$208,387,000), and the weighted average number of ordinary shares in issue of 15,774,978,000 (2019: 14,718,040,000).

Adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2019 in respect of a dilution effect on the basic earnings per share amounts presented.

The calculation of the basic and diluted earnings per share are based on:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculations	<u><u>27,758</u></u>	<u><u>208,387</u></u>

	Number of shares	
	2020 '000	2019 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	15,774,978	14,718,040
Share options issued by the Company (<i>Note</i>)	–	79,992
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculations	15,774,978	14,798,032
	<hr/> <hr/>	<hr/> <hr/>

Note:

The computation of diluted earnings per share for the year ended 31 December 2020 did not assume the exercise of the Company's outstanding share options since the average share price of the Company is lower than the exercise price of the outstanding share options.

10. INVESTMENT PROPERTY

Investment property

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Carrying amount at 1 January	390,000	435,000
Loss from a fair value adjustment	(10,000)	(45,000)
Arising from disposal of a subsidiary	(380,000)	–
	<hr/>	<hr/>
Carrying amount at 31 December	–	390,000
	<hr/> <hr/>	<hr/> <hr/>

The Group held one investment property as at 31 December 2019 which is located at No.2 Lincoln Road in Kowloon. The Group completed the disposal of property investment on 2 July 2020 through the disposal of a subsidiary.

The Group's investment property was revalued on 31 December 2019 based on valuation performed by Ascent Partners Valuation Service Limited, an independent professionally qualified valuer. Each year, the Group's management and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's financial controller have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

As at 31 December 2019, the Group's investment property was pledged to secure general banking facilities granted to the Group.

11. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Equity securities listed in Hong Kong, at fair value	<u>344,559</u>	<u>506,650</u>

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year, the Group received the amount of approximately HK\$8,650,000 (2019: HK\$7,001,000) dividend from these investments.

As at 31 December 2020, the Group's equity investments at fair value through other comprehensive income with carrying amount of approximately HK\$94,138,000 (2019: HK\$499,621,000), have been pledged to secure the other borrowings granted to the Group (Note 18 (c)).

12. LOAN RECEIVABLES FROM MONEY LENDING BUSINESS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loan receivables	541,649	466,520
Less: credit loss allowances	<u>(24,560)</u>	<u>(20,058)</u>
	517,089	446,462
Less: non-current portion	<u>(363,154)</u>	<u>(89,805)</u>
Current portion	<u>153,935</u>	<u>356,657</u>

As at 31 December 2020, the gross amount of loan receivables represented loans of approximately HK\$541,649,000 (2019: HK\$466,520,000) granted by the Group to a number of independent third parties. The loans bore interest at rates ranging from 5% to 12% (2019: 5% to 12%) per annum and were repayable within three years (2019: two years) from the date of drawdown. The grants of these loans were approved and monitored by the Group's management. The gross loan balances of approximately HK\$2,032,000 (2019: HK\$147,211,000) were past due and approximately HK\$539,617,000 (2019: HK\$319,309,000) were not past due for which there was no recent history of default.

The Group holds collateral or other credit enhancement over its loan receivables balance of approximately HK\$526,230,000 (2019: HK\$353,545,000), including charge of properties located in Hong Kong and the PRC, listed securities in Hong Kong, equity interest of the unlisted entity in Hong Kong and PRC entities and note receivable of the borrower. The carrying amount of the loan receivables approximates their fair values.

13. TRADE RECEIVABLES FROM SECURITIES AND FUTURES DEALING BUSINESS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables arising from the securities and futures dealing business		
– Clearing houses	11,158	–
– Cash clients	16,955	64,186
– Margin clients	461,569	433,985
– Brokers	–	100
	<hr/>	<hr/>
	489,682	498,271
Less: credit loss allowances	(182,897)	(85,927)
	<hr/>	<hr/>
	306,785	412,344
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables from cash clients, clearing houses and brokers arising from the securities and futures dealing business are repayable on demand subsequent to the settlement date. The normal settlement terms of the said trade receivables are, in general, within 2 days after the trade date. The Group allows a credit period mutually agreed with the contracting parties for receivables from margin clients.

Except for receivables from margin clients, the Group does not hold any collateral or other credit enhancements over these balances. The Group is allowed to dispose of the securities or futures deposited by the customers with the Group to settle any overdue amount.

Trade receivables are unsecured, interest free and repayable on the settlement date of the relevant trades, except for the receivables from margin clients of approximately HK\$461,569,000 (2019: HK\$433,985,000) which bear interest at a range of 6% to 12.25% (2019: 6% to 12.25%) per annum and are secured by investments held by margin clients of approximately HK\$940,472,000 (2019: HK\$648,255,000). The carrying amount of the trade receivables approximates their fair values.

The Group maintains accounts with the clearing houses through which it conducts securities and futures trading transactions and settlement on a net basis.

No ageing analysis is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature.

14. TRADE RECEIVABLES FROM PLACING AND ASSET MANAGEMENT BUSINESS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables arising from the placing and asset management business		
– Corporate clients	29,079	45,979
– Individual clients	285	–
– Investment funds	15,649	6,525
	<u>45,013</u>	<u>52,504</u>
Less: credit loss allowances	(1,508)	(239)
	<u><u>43,505</u></u>	<u><u>52,265</u></u>

Trade receivables from corporate and individual clients and investment funds which are past due but not credit-impaired represent receivables arising from placing and asset management business which have not yet been settled by clients after the Group's normal credit period. Except for the credit loss allowances provided, the outstanding trade receivables from corporate and individual clients and investment funds as at 31 December 2020 and 2019 were considered not to be credit impaired as the credit rating and reputation of the trade counterparty are sound.

15. EQUITY AND FUND INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Listed securities, mandatorily measured at fair value		
– Equity securities listed in Hong Kong	321,699	38,432
Unlisted fund investment, mandatorily measured at fair value		
– Investment fund in the Cayman Islands	855	48,417
– Investment funds in the PRC	51,095	28,656
	<u>373,649</u>	<u>115,505</u>

As at 31 December 2020, the Group's equity investments at fair value through profit or loss with carrying amount of approximately HK\$80,040,000 (2019: HK\$6,022,000), have been pledged to secure the other borrowings granted to the Group (Note 18 (c)).

16. TRADE PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables arising from the business of trading and distribution of electronic and accessory products	–	502
Trade payables arising from the securities and futures dealing business		
– Clearing houses	–	5,474
– Cash clients	364,774	16,670
– Margin clients	75,241	51,462
	440,015	74,108

Trade payables arising from the securities dealing business bear interest at 0.01% per annum and repayable on the settlement day of the relevant trades. The carrying amount of trade payables approximates their fair values.

Trade payables arising from the futures dealing business are non-interest bearing and repayable on the settlement day of the relevant trades. The carrying amount of trade payables approximates their fair values.

No ageing analysis is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in the view of the business nature.

17. OTHER PAYABLES AND ACCRUALS

The Group's payables and accruals are non-interest-bearing and are normally settled within three months. The carrying amount of financial liabilities included in other payables and accruals approximates their fair values.

18. INTEREST-BEARING BANK AND OTHER BORROWINGS AND BANK OVERDRAFTS

	2020			2019		
	Effective interest rate per annum (%)	Maturity	HK\$'000	Effective interest rate per annum (%)	Maturity	HK\$'000
Current						
Bank overdrafts – secured	4.8 to 5.3	On demand	<u>86,408</u>	4.8 to 5.3	On demand	<u>117,103</u>
Bank borrowings – secured	3.0 to 4.9	2021	<u>102,716</u>	3.0 to 4.9	2020	<u>105,000</u>
Current portion of mortgage bank borrowings – secured	N/A	N/A	<u>–</u>	3.3 to 3.5	2020	<u>8,057</u>
			<u>102,716</u>			<u>113,057</u>
Other borrowings – unsecured	5.3 to 8.0	On demand	<u>245,200</u>	8.0	On demand	<u>215,000</u>
Other borrowings – secured	9.0 to 13.0	2021	<u>119,772</u>	8.3 to 14.1	2020	<u>214,854</u>
			<u>364,972</u>			<u>429,854</u>
			<u>554,096</u>			<u>660,014</u>
Non-current						
Mortgage bank borrowings – secured	N/A	N/A	<u>–</u>	3.3 to 3.5	2021 – 2037	<u>148,283</u>
			<u>554,096</u>			<u>808,297</u>

Notes:

- (a) The Group's overdraft facilities amounting to HK\$175,000,000 (2019: HK\$175,000,000), of which approximately HK\$86,408,000 (2019: HK\$117,103,000) had been utilised as at the end of the reporting period.
- (b) The Group's bank overdrafts and certain of the Group's bank borrowings included above are secured by:
- i. mortgages over the Group's investment property situated in Hong Kong, which had a carrying value as at 31 December 2019 of HK\$390,000,000. The mortgages were fully repaid and the corresponding mortgages charge was released during the year ended 31 December 2020.
 - ii. listed equity and debt investments pledged to the Group held by certain margin clients with an aggregate amount of approximately HK\$343,668,000 (2019: HK\$220,439,000).

- (c) Certain of the Group's other borrowings are secured by listed securities held by the Group with market values as below:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Equity investments at fair value through profit or loss	80,040	6,022
Equity investments at fair value through other comprehensive income	<u>94,138</u>	<u>499,621</u>
	<u><u>174,178</u></u>	<u><u>505,643</u></u>

- (d) Other borrowings – unsecured are repayable on demand to Globally Finance Limited, a subsidiary of Future World Holdings Limited (formerly named as Future World Financial Holdings Limited).
- (e) Bank borrowings and other borrowings are maturing within one year. The carrying amounts of these loans approximate to their fair values.
- (f) Mortgaged bank borrowings bear floating rates with reference to HIBOR and Prime Rate. The carrying amounts of these loans approximate their fair values.

19. SHARE CAPITAL

Shares

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised:		
80,000,000,000 (2019: 80,000,000,000) ordinary shares of HK\$0.01 each	<u>800,000</u>	<u>800,000</u>
Issued and fully paid:		
15,969,650,461 (2019: 14,719,650,461) ordinary shares of HK\$0.01 each	<u>159,697</u>	<u>147,197</u>

A summary of movements of the Company's issued shares capital and share premium account is as follows:

	Number of shares in issue	Issued share capital	Share premium account	Total
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2019	14,716,650,461	147,167	4,671,489	4,818,656
Exercise of share options	<i>(i)</i> <u>3,000,000</u>	<u>30</u>	<u>215</u>	<u>245</u>
At 31 December 2019 and 1 January 2020	14,719,650,461	147,197	4,671,704	4,818,901
Exercise of share options	<i>(ii)</i> <u>1,250,000,000</u>	<u>12,500</u>	<u>92,420</u>	<u>104,920</u>
At 31 December 2020	<u>15,969,650,461</u>	<u>159,697</u>	<u>4,764,124</u>	<u>4,923,821</u>

Notes:

- (i) During the year ended 31 December 2019, 3,000,000 share options were exercised which results in 3,000,000 shares being issued at a price of HK\$0.059 per share.
- (ii) During the year ended 31 December 2020, 1,250,000,000 share options were exercised which results in 1,250,000,000 shares being issued at a price of HK\$0.046, HK\$0.059 and HK\$0.062 respectively per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

The Group recorded a revenue of approximately HK\$669.9 million for the year ended 31 December 2020 (the “Year”), compared to a revenue of approximately HK\$947.7 million for the year ended 31 December 2019. It was mainly attributable to the commission income generated from the provision of Debt Capital Market (“DCM”) services of approximately HK\$469.2 million. The net profit before tax for the Year was approximately HK\$35.4 million as compared to the net profit before tax of approximately HK\$248.5 million for the year ended 31 December 2019. The significant decrease in revenue and net profit before tax for the year was mainly attributable to the outbreak of the coronavirus disease (“COVID-19”) in 2020 and the resulting anti-epidemic measures and lockdowns have slowed down the progress of various projects of the Group in China.

The net profit after tax for the Year was approximately HK\$27.8 million as compared to the profit after tax of approximately HK\$208.4 million for the year ended 31 December 2019. Basic earnings per share attributable to owners of the Company for the Year was approximately HK0.18 cent (31 December 2019: approximately HK1.42 cents).

Economy Review

In 2020, COVID-19 outbreak began and rapidly evolved into a pandemic. To curb the spread of the disease, the governments of China, North America and most parts of the world have taken the stringent anti-epidemic measures including travel bans, social distancing, city and regional lockdowns in order to keep people apart and suppress the virus. The global economy was seriously disrupted and contracted sharply in the Year, much worse than that in the global financial crisis in 2008.

For 2020 as a whole, Hong Kong’s real GDP fell by 6.1% and the unemployment rate increased to approximately 6.6%. On a year –on-year basis, total exports of goods recorded accelerated growth in the fourth quarter due to the further revival of import demand in many major markets, especially China. However, exports of services plunged further as inbound tourism remained at standstill. Exports and imports trade were adversely affected by the weaker performance of the global economy and various external factors. Under the threat of COVID –19 and austere labour market conditions, domestic demand also decreased and private consumption expenditure stayed subdued, reflecting pessimistic local economic and consumer sentiment.

In line with real economy, the local stock market dropped significant as investor sentiment getting worse. In the first half year, the Hang Seng Index plunged by more than 6,000 points to the depth of 21,696 points and it recouped some losses and closed at 24,427 points at the end the first half. In the second half year, Hang Seng Index continued to rise by 2,804 points to 27,231 points at the end of 2020. The rising unemployment rate in city is putting pressure on local housing price. Hong Kong’s property market remains resilient, but uncertainty persists.

The China's US dollar bonds market was volatile, with the market sentiment hardly hit by the threat of COVID 19 pandemic. During the Year, the issuance volume dropped sharply due to deteriorating investors' confidence and the increasing liquidity and credit risks. The market showed a significant rebound in June when the governments around the world stepped up a series of fiscal stimulus packages to restore the economy and inject liquidity in the financial markets. According to Bloomberg, the total issuance volume of US dollar bonds, in the primary market for the Year was approximately US\$211.5 billion, representing a decrease of approximately 4.66% compared to that of last year.

Business Review

Brokerage & margin financing

The business are carried on through Instant Achieve Limited (“**IAL**”), a wholly-owned subsidiary of the Group, which in turn owned 100% equity interest in Central Wealth Securities Investment Limited (“**CWSI**”) and Central Wealth Futures Limited (“**CWF**”). CWSI and CWF are incorporated in Hong Kong with limited liability and are carrying on business in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities under the Securities and Futures Ordinance.

During the Year, the commission income from securities and futures dealing was approximately HK\$9.2 million (31 December 2019: HK\$9.7 million) and the interest income from the securities margin financing was approximately HK\$44.3 million (31 December 2019: HK\$41.5 million). The Group will maintain its prudent credit policy and risk management approach with a view to achieve a sustainable business environment.

Debt capital market business

The business are carried on through IAL, which in turn owned 100% equity interest in CWSI. CWSI is incorporated in Hong Kong with limited liability and is carrying on business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance.

In recognition of the robust potential in the China's US dollar bonds market, the Group have established a foothold and teamed up to participate as a major player in this growing market in 2017. The market is principally classified into, by industry four business segments, namely industrial, property development, financial and urban construction investment (“**Chengtou**”).

During the Year, the Group has so far participated in 58 debt issues with roles of joint global coordinator, joint book-runner, joint lead manager or placing agent with an aggregate issue size of approximately US\$9.7 billion as at 31 December 2020. The debts are issued through either private or public offerings with coupon rates ranging from 2.3% to 13.75% per annum. According to the information published on Bloomberg 2020, CWSI ranked as the 37th manager in the issuance of offshore China bonds for the Year based on the issuance volume credited to each involved party. During the Year, the provision of DCM services has recorded a commission income of approximately HK\$469.2 million. The Group will continue to strengthen our services in the coming period and broaden our service range with an aim to provide one stop service to our customers.

Asset management

The business are carried on through IAL, which in turn owned 100% equity interest in Central Wealth Asset Management Limited (“CWAM”). CWAM is incorporated in Hong Kong with limited liability and is carrying on business in type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance.

During the Year, the Group engages in the provision of investment management services on diversified and comprehensive investment products including private funds and discretionary accounts to individual, corporate and institutional clients. Currently, our investment fund, namely the Central Wealth Investment Fund SPC (“CWIF”), mainly focus on the China’s bond market as it is the second largest bond market in the world and offers attractive yield opportunities. It is expected that the market will continue to grow and transform with the global economy. The Group believes it will become more capital market oriented and open to foreign investors. Besides, CWAM also served as an investment advisor for clients providing advice on equity fund, fixed income funds and other investment products.

About Central Wealth Investment Fund SPC

CWIF is a segregated portfolio company incorporated in Cayman Islands with limited liabilities in June 2018. CWIF has twelve segregated portfolios as at 31 December 2020. The investment objectives of CWIF are to achieve a high rate of return through capital appreciation and seek fixed income returns with a high degree of security.

Investment strategies

The investment manager seeks to achieve the investment objectives by investing in fixed income financial tools, fixed income instruments traded in the bond market, bond funds, money market funds, bond initial offerings, structured products and derivatives. The portfolios now mainly invest in offshore US dollar denominated bonds issued by Chinese institutions. The investment manager will seek to diversify the investment portfolios when opportunities arise.

Fund growth

As at 31 December 2020, the assets under management have reached approximately US\$714.1million (31 December 2019: US\$310.2 million). The management and advisory fee income is approximately HK\$32.1 million during the Year.

Property Investment

The Group principally focuses on the luxury property investment in Hong Kong market and did not hold any property as at 31 December 2020. The Group completed the disposal of one luxury property located at No. 2 Lincoln Road, Kowloon Tong, Hong Kong in July 2020. For details, please refer to the announcements published by the Company dated 4 February 2020, 28 February 2020, 19 March 2020, 23 March 2020, 3 June 2020, 2 July 2020 and the circular of the Company dated 24 April 2020.

Financial Investments and Services

Financial investments and trading

During the Year, the Hang Seng Index starts at 28,249 points and closed at 27,231 points. Despite the local stock market rebounded, the Group recorded unrealized gain on equity and fund investments at fair value through profit or loss of approximately HK\$42.5 million and realized losses on disposal of equity investments at fair value through profit or loss of approximately HK\$19.3 million.

During the Year, the Group has a unrealized fair value loss of debts investment at fair value through profit or loss of approximately HK\$7.8 million and gain on disposal of debt investments at fair value through profit or loss of approximately HK\$29.6 million, the interest income from debt investments amounted to approximately HK\$17.0 million.

Money lending business

During the Year, the interest income from the money lending business was approximately HK\$36.7 million. The net balance of loan book recorded an increase of approximately HK\$70.6 million to approximately HK\$517.1 million as compared to approximately HK\$446.5 million as at 31 December 2019. The money lending business charged annual interest rates at a range from 5% to 12% (31 December 2019: range from 5% to 12%). The Group will continue to maintain its prudent credit policy and risk management approach with a view to achieve a sound financial management and sustainable business environment.

Prospects

The outbreak of COVID-19 recently has seriously damaged the global economy. The number of confirmed cases of the COVID-19 has overtaken the 2003 SARS outbreak in global, as the virus was confirmed to have spread across the world.

COVID –19 vaccination campaigns are now under way across the world, it takes some time before a significant portion of the world’s population gets vaccinated to at least slow down the transmission. Many developed and underdeveloped parts of the world simply lack the infrastructure to store and distribute the vaccine across millions of people. The economic impact will be significant if the spreading if virus cannot be controlled.

The United State Federal Reserve announced a list of measure to boost the global economy including setting near –Zero interest rates, Quantitative Easing measure, launching the Money Market Mutual Fund Liquidity Facility and supporting loans to corporation. It is expected that these kinds of measure can support global economy and limit economic damages from pandemic.

China has continuously improved various policies and system and actively promoted the integration of the bond market environment with international standards. At present, many overseas institutions have begun to set up research teams specializing in tracking China’s bonds, and actively explore investment opportunities in China bond market. We believe that in the future, with gradual improvement of investment environment in the Mainland China bond market, foreign capital will further accelerate into it.

Besides, we shall not overlook the downside risks due to the expectation of US interest hike and the threat of geopolitical tension which continue to cloud the global economic recovery. Also the Group will evaluate the economic impact of a weaker yuan as China may use it as the countermeasure to US tariffs.

In light of these macroeconomic challenges, the Group will continue to stay alert, but positive, to pursue its prudent investment strategy in developing its existing and new businesses.

Financial Review

The Group for the Year recorded a revenue of approximately HK\$669.9 million as compared to the revenue of approximately HK\$947.7 million last year. The Group’s revenue principally comprised the interest income from money lending business of approximately HK\$36.7 million, commission income from provision of DCM services of approximately HK\$469.2 million, commission income from securities and futures dealing of approximately HK\$9.2 million, interest income from securities margin financing of approximately HK\$44.3 million and management fee income from asset management business of approximately HK\$72.1 million.

The Group recorded other comprehensive loss of approximately HK\$46.3 million for the Year (31 December 2019: HK\$907.8 million). It was mainly attributable to a fair value loss of approximately HK\$46.3 million on equity investments at fair value through other comprehensive income (31 December 2019: HK\$901.1 million). As at 31 December 2020, the Group’s net asset value was approximately HK\$1,277.3 million (31 December 2019: HK\$1,215.3 million).

Major Customers

During the Year, the Group's largest customer and five largest customers accounted for approximately 14.0% and 49% respectively of the Group's total revenue. As far as the Directors are aware, none of Directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers of the Group.

Liquidity and Financial Resources

During the Year, the Group generally financed its operation with internally generated cash flow, overdrafts, bank and other borrowings and other fund raising activities. The Group's cash and bank balances as at 31 December 2020 were approximately HK\$140.4 million (31 December 2019: HK\$99.2 million).

As at 31 December 2020, the Group had bank overdrafts of approximately HK\$86.4 million (31 December 2019 HK\$117.1 million), interest-bearing bank borrowings of approximately HK\$102.7 million (31 December 2019: HK\$261.3 million), interest-bearing other borrowings of approximately HK\$365.0 million (31 December 2019: HK\$429.9 million) and non-current notes payable of approximately HK\$86.6 million (31 December 2019: HK\$86.6 million).

As at 31 December 2020, the Group's current ratio was approximately 1.51 times (31 December 2019: 1.41 times) based on current assets of approximately HK\$1,788.7 million (31 December 2019: HK\$1,367.9 million) and current liabilities of approximately HK\$1,187.2 million (31 December 2019: HK\$966.9 million). Capital commitments outstanding at 31 December 2020 not provided for in the Group's financial statements contracted for HK\$3,590,000 which is solely related to office system development (31 December 2019: Nil). The Group also had no other contingent liabilities (31 December 2019: Nil).

Capital Structure

As at 31 December 2020, the Group's gearing ratio was approximately 50.2% (31 December 2019: 73.6%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK\$640.7 million includes bank and other borrowings, bank overdraft and notes payable.

The Group's bank balance, borrowings and interest payment are mainly denominated in Hong Kong and US dollars. Most of the Group's revenue are made in Hong Kong dollars and US dollars. Therefore, the exchange risks that the Group is exposed to are insignificant.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Significant Investments

As at 31 December 2020, the Group maintained a portfolio of investments including equity investments at fair value through other comprehensive income, equity and fund investments at fair value through profit or loss and debt investments at fair value through profit or loss with total carrying amount of approximately HK\$960.1 million. The Directors consider that equity investments, debt investments and fund investments with a market value that account for more than 5% of the Group's net assets at the reporting date as significant investments. The details of the equity investments, debt investments and fund investments which accounted for more than 5% of the Group's net assets as at 31 December 2020 is set out below:

Stock Code	Name of the investees	Percentage of shareholding in investments held by the Group as at 31 December 2020	Percentage of the investments to total assets of the Group as at 31 December 2020	Fair value of investments as at 31 December 2020 <i>HK\$'000</i>	Carrying value of investments as at 31 December 2020 <i>HK\$'000</i>	Fair value gains/(losses) of investments as at 31 December 2020 <i>HK\$'000</i>	Realised gain/(losses) for the year ended 31 December 2020 <i>HK\$'000</i>
Equity investments at fair value through other comprehensive income							
412	China Shandong Hi-Speed Financial Group Limited	2.34%	8.62%	220,054	208,889	11,165	–
1141	CMBC Capital Holdings Limited	1.91%	4.79%	122,155	270,333	(148,178)	(611,358)
N/A	Others	N/A	0.09%	2,350	4,926	(2,576)	(100,336)
	Total			<u>344,559</u>	<u>484,148</u>	<u>(139,589)</u>	<u>(711,694)</u>
Equity and fund investments at fair value through profit or loss							
708	China Evergrande New Energy Vehicle Group Limited	0.04%	3.68%	93,817	75,564	18,253	1,871
1141	CMBC Capital Holdings Limited	1.19%	2.98%	76,128	74,242	1,886	542
N/A	Others	N/A	7.98%	203,704	181,360	22,344	2,352
	Total			<u>373,649</u>	<u>331,166</u>	<u>42,483</u>	<u>4,765</u>
Debt investments at fair value through profit or loss*							
N/A	Total	N/A	9.48%	<u>241,919</u>	<u>249,675</u>	<u>(7,756)</u>	<u>–</u>
	Grand total			<u>960,127</u>	<u>1,064,989</u>	<u>(104,862)</u>	<u>(706,929)</u>

* None of the debt investments account for more than 5% of the Group's net assets at the reporting date.

Performance and prospects of the investees

1. China Shandong Hi-Speed Financial Group Limited (“China Shandong Hi-Speed”)

China Shandong Hi-Speed together with its subsidiaries (the “**China Shandong Hi-Speed Group**”) are principally engaged in the trading business of financial leasing, leasing assets as well as other related leasing properties, and provision of spot trading platform and marketing and consulting services related to the above businesses.

As mentioned in its interim report for the six months ended 30 June 2020, the China Shandong Hi-Speed Group recorded a total revenue and other income of approximately HK\$647.3 million for the six months ended 30 June 2020. The China Shandong Hi-Speed Group has reported a net loss of approximately HK\$65.6 million attributable to owners of China Shandong Hi-Speed. The basic and diluted loss per share were both HK\$0.27 cents. As at 30 June 2020, the unaudited consolidated net asset of the China Shandong Hi-Speed Group was approximately HK\$9,717.3 million. China Shandong Hi-Speed Group has not declared an interim dividend for the six months ended 30 June 2020.

China Shandong Hi-Speed Group actively developed in line with the China’s industrial policies, explored different high-quality investment opportunities in the countries along the “Belt and Road” Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area. As disclosed in its interim report, it has reached a strategic cooperation agreement with Shandong Hi-Speed Hubei Development Co., Ltd. The two parties also made use of their respective advantages and resources to achieve mutual benefit and common development, carried out cooperation based on market-oriented operation methods.

The Company has confidence that China Shandong Hi-Speed Group can further improve its asset-liability structure and the stability of profitability. The management of the Group considers the investment in China Shandong Hi-Speed is for long term purpose. However, the Group would not rule out the possibility of realizing the investments from time to time where to do so is to be in the best interests of the Group or where the terms on which such realization to be particularly favorable to the Group.

As at 31 December 2020, the Group held 564,242,000 shares of China Shandong Hi-Speed. China Shandong Hi-Speed closed at HK\$0.39 as at 31 December 2020.

2. *CMBC Capital Holdings Limited (“CMBC”)*

CMBC together with its subsidiaries (the “**CMBC Group**”) are principally engaged in (i) securities business, (ii) investment and financing and (iii) asset management and advisory business. As mentioned in its interim report for the six months ended 30 June 2020, the CMBC Group recorded a total revenue and other income of approximately HK\$509.1 million for the six months ended 30 June 2020. The CMBC Group has reported a net profit of approximately HK\$165.5 million attributable to owners of CMBC. The basic and diluted earnings per share were both HK0.35 cent. As at 30 June 2020, the unaudited consolidated net asset value of the CMBC Group was approximately HK\$2,109.9 million. CMBC Group has not declared an interim dividend for the six months ended 30 June 2020.

In May 2017, China Minsheng Banking Corp. Ltd. became the ultimate controlling shareholder of CMBC and since then the CMBC Group started its rapid development. Subsequently in August 2017 and October 2017, the CMBC Group acquired the entire issued share capital of CMBC Capital Finance Limited and CMBC International Capital Limited, respectively and as a result, the CMBC Group is licensed to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, as well as the licensed money lending business and has all material licenses required for services expected to be required by most of its potential clients at current stage.

Leveraging on the strong reputation, expertise and capability of the China Minsheng Bank, and the licenses it possesses, the CMBC Group has achieved rapid growth in its financial performance. The Company has strong confidence in the experienced and competent management team of CMBC that they can lead CMBC to perform much better in the future and improve the earnings. The management of the Group considers the investment in CMBC is for long term purpose. However, the Group would not rule out the possibility of realizing the investments from time to time where to do so is to be in the best interests of the Group or where the terms on which such realization to be particularly favorable to the Group.

As at 31 December 2020, the Group held 1,479,725,829 shares of CMBC. CMBC closed at HK\$0.134 as at 31 December 2020 as compared to HK\$0.143 as at 31 December 2019.

3. *China Evergrande New Energy Vehicle Group Limited (“CENEV”)*

CENEV together with its subsidiaries (the “**CENEV Group**”) are principally engaged in technology research and development and production of, and sales services of new energy vehicles in China and in other countries, as well as health management businesses including “Internet+” community health management, international hospitals, elderly care and rehabilitation in China. As mentioned in its interim report for the six months ended 30 June 2020, the CENEV Group recorded a total revenue and other income of approximately RMB4,499 million for the six months ended 30 June 2020. The CENEV Group has reported a net loss of approximately RMB2,273.9 million attributable to owners of CENEV Group. The basic and diluted loss per share were both RMB26.319 cents. As at 30 June 2020, the unaudited consolidated net liabilities of the CENEV Group was approximately RMB5,697.5 million. CENEV Group has not declared an interim dividend for the six months ended 30 June 2020.

CENEV Group’s entry into the new energy vehicle industry marks an important milestone to actively implement the strategy of building up a strong technological nation, as well as to protect the environment and benefit the mass public. CENEV adheres to its development direction of “achieving world-leading core technology and world-class product quality while sustaining significant cost reduction”, and possesses top-tier technology research & development teams and innovation capabilities.

CENEV Group also proactively implements the national strategy of “Healthy China”. Adhering to its corporate vision of “enhancing the healthy living standards for the general public”, and centering on the healthcare needs of the general public, CENEV Group has created a membership mechanism for all-round healthy life for all-age population, and established a multi-level hierarchical medical, high-precision health management, all-age health care and diversified elderly care system, thereby enhancing the healthy living standards for the general public.

The Company has confidence in the experienced and competent management team of CENEV Group that they can lead CENEV to perform much better in the future and improve the earnings. The Group would not rule out the possibility of realizing the investments from time to time where to do so is to be in the best interests of the Group or where the terms on which such realization to be particularly favorable to the Group.

As at 31 December 2020, the Group held 3,106,500 shares of CENEV. CENEV closed at HK\$30.2 as at 31 December 2020.

4. *Fortune China Bond SP II*

Fortune China Bond SP II now mainly invests in the US dollar denominated bonds including the Chengtou Bonds issued by Chinese institutions. The coupon rate of the bonds range from 4.875% to 8.75% per annum with maturity period range from three years to perpetual.

The investment objectives of Fortune China Bond SP II are to achieve a high rate of return through capital appreciation and seek fixed income returns with a high degree of security. The investment manager seek to achieve the investment objectives by investing in fixed income financial tools, fixed income instruments traded in the bond market, bond funds, money market funds, bond initial offerings, structured products and derivatives.

In recent years, the Chinese government has done a series of fruitful work in simplifying the overseas debt issuance approval process and procedures. It has further implemented measures in the area of bond connection, capital use, and financing leverage. The Chinese government maintains a relatively loose regulatory policy for China's bond market and encourages Chinese companies to raise funds overseas. This helps to accelerate the internationalization of Reminbi and Chinese enterprises.

Since China's bond yield is lower than that of last year, the return for investors is not attractive. Although the Chengtou Bonds is limited by its lower credit rating, it has local government's credit and pays a higher yield. It is expected that the demand and issuance of the Chengtou Bonds will rise in the future.

As at 31 December 2020, the Group held 6,999.265 shares of Fortune China Bond SP II representing 40.64% of shares of Fortune China Bond SP II.

Details of Charges on Assets

As at 31 December 2020, the Group had pledged certain listed equity and debt investments of approximately HK\$174.2 million (31 December 2019: HK\$505.6 million) to secure the other borrowings. As at 31 December 2020, the Group did not pledged its investment property to secure the bank borrowings (31 December 2019: HK\$390.0 million).

Employment, Training and Development

As at 31 December 2020, the Group had a total of 106 employees. The Group is committed to staff training and development and structured training programs for all employees. Remuneration packages are maintained at a competitive level and reviewed on a periodic basis. Bonuses and share options are awarded to certain employees according to individual performance and industry practice.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the Year.

Detailed disclosure of the Company's corporate governance practices is included in the annual report of the Company for the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

AUDIT COMMITTEE

The Audit Committee of the Company meets at least twice a year to monitor and review the integrity and effectiveness of the Company's financial reporting. The Audit Committee has met with the external auditor of the Company, Moore Stephens CPA Limited ("**Moore**"), to review the accounting principles and practices adopted by the Group and the annual results of the Group for the Year. The Audit Committee has also discussed auditing, financial reporting matters and risk management and internal control systems of the Company. The Audit Committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Kwong (Chairman of the Audit Committee), Mr. Liu Hongwei and Mr. Wu Ming.

SCOPE OF WORK OF MOORE ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Group's independent auditor, Moore, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Moore in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Moore on the preliminary announcement.

On behalf of the Board
Central Wealth Group Holdings Limited
Chen Xiaodong
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Chen Xiaodong, Mr. Xu Ke, Mr. Yu Qingrui and Ms. Lam Hay Yin; and three independent non-executive directors, namely, Mr. Kwok Chi Kwong, Mr. Wu Ming and Mr. Liu Hongwei.