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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “**Board**”) of Central Wealth Group Holdings Limited (the “**Company**”) announces the unaudited results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”) together with comparative figures for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the six months ended 30 June 2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
<i>Notes</i>		
REVENUE		
Financial investments and services	36,087	(6,793)
Brokerage and commission income	325,896	621,386
Property investment	–	1,350
Advisory fee income	12,653	4,339
	374,636	620,282
Brokerage and commission expenses	(194,066)	(329,818)
Gross profit	180,570	290,464

		For the six months ended 30 June 2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
	<i>Notes</i>		
Other income and gains	3	23,543	3,051
Administrative expenses		(100,322)	(77,342)
Equity-settled share option arrangements		–	(66,809)
Other operating expenses		(5,737)	(4,800)
Finance costs	5	(27,212)	(30,052)
Unrealised fair value gains/(loss) on equity and fund investments at fair value through profit or loss		11,108	(5,937)
Unrealised fair value (loss)/gains on debt investments at fair value through profit or loss		(30,012)	906
Credit loss allowances on other financial assets		(15,758)	(31,200)
Loss on revaluation of investment property		(10,000)	–
Loss on disposal of an associate		–	(9,750)
Share of profits of an associate		–	2,726
		<hr/>	<hr/>
PROFIT BEFORE TAX	4	26,180	71,257
Income tax expense	6	(20,138)	(27,566)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		6,042	43,691
		<hr/>	<hr/>
DIVIDENDS	7	–	–
		<hr/>	<hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		HK0.04 cent	HK0.30 cent
		<hr/>	<hr/>
Diluted		HK0.04 cent	HK0.30 cent
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June 2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>6,042</u>	<u>43,691</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(1,752)</u>	<u>(288)</u>
Other comprehensive income/(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	24,419	(483,982)
Share of other comprehensive loss of an associate	<u>–</u>	<u>(38,798)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>24,419</u>	<u>(522,780)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>28,709</u>	<u>(479,377)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		11,140	15,466
Investment property		380,000	390,000
Right-of-use assets		50,753	21,632
Intangible assets		500	500
Equity investments at fair value through other comprehensive income	9	432,057	506,650
Deferred tax assets		4,392	4,391
Loan receivables from money lending business	10	89,616	89,805
Deposits and prepayment		13,266	30,847
Total non-current assets		981,724	1,059,291
CURRENT ASSETS			
Loan receivables from money lending business	10	400,223	356,657
Trade receivables from securities and futures dealing business	11	412,341	412,344
Trade receivables from placing and asset management business	12	26,635	52,265
Prepayments, deposits and other receivables		94,919	91,999
Equity and fund investments at fair value through profit or loss	13	114,093	115,505
Debt investments at fair value through profit or loss		165,431	168,530
Cash and bank balances		132,323	99,219
Bank balances held on behalf of clients		201,504	71,352
Total current assets		1,547,469	1,367,871
CURRENT LIABILITIES			
Trade payables	14	153,268	74,108
Lease liabilities		31,167	20,010
Third party interest in consolidated investment fund		42,766	109,599
Other payables and accruals	15	99,030	63,497
Other borrowings	16	349,188	429,854
Bank borrowings	16	126,218	113,057
Bank overdrafts	16	121,238	117,103
Tax payable		45,876	39,715
Total current liabilities		968,751	966,943
NET CURRENT ASSETS		578,718	400,928
TOTAL ASSETS LESS CURRENT LIABILITIES		1,560,442	1,460,219

		At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Notes payable		86,574	86,574
Bank borrowings	<i>16</i>	143,983	148,283
Lease liabilities		6,643	5,142
Deferred tax liabilities		4,784	4,873
		<hr/>	<hr/>
Total non-current liabilities		241,984	244,872
		<hr/>	<hr/>
Net assets		1,318,458	1,215,347
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>17</i>	159,697	147,197
Reserves		1,158,761	1,068,150
		<hr/>	<hr/>
Total equity		1,318,458	1,215,347
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These interim condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee (the "Audit Committee").

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended 31 December 2019 except for the adoption of the new standards and interpretations as noted below. In addition, certain comparative figures in the unaudited interim condensed consolidated financial statements have been reclassified in order to conform to the current period's presentation.

1.1 Changes in accounting policies and disclosures

In the current period, the Group has applied, for the first time, the following revised and amendments issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above revised HKFRS and amendments has had no significant financial effect on the unaudited condensed interim financial statements of the Group.

1.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and gains or losses".

2. SEGMENT INFORMATION

For the management purpose, the Group is currently organized into four operating segments – financial investments and services, brokerage and commission, property investment and corporate and others. An analysis of the Group’s revenue and results by business segment for the Period and the six months ended 30 June 2020 are as follows:

For the six months ended 30 June 2020

	Financial investments and services (Unaudited) <i>HK\$'000</i>	Brokerage and commission (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Corporate & others (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:					
External	35,083	326,293	–	13,260	374,636
Intersegment sales	–	727	–	130	857
	<u>35,083</u>	<u>327,020</u>	<u>–</u>	<u>13,390</u>	<u>375,493</u>
Elimination	–	(727)	–	(130)	(857)
Total	<u>35,083</u>	<u>326,293</u>	<u>–</u>	<u>13,260</u>	<u>374,636</u>
Segment results	<u>10,154</u>	<u>57,735</u>	<u>(10,257)</u>	<u>(7,770)</u>	<u>49,862</u>
<i>Reconciliation:</i>					
Bank interest income					4,067
Unallocated expenses					(537)
Finance costs					(27,212)
Profit before tax					26,180
Income tax expense					(20,138)
Profit for the period					<u>6,042</u>
Assets and liabilities					
Segment assets	1,107,677	865,286	380,000	39,445	2,392,408
<i>Reconciliation:</i>					
Unallocated assets					136,785
Total assets					<u>2,529,193</u>
Segment liabilities	48,105	234,848	445	37,145	320,543
<i>Reconciliation:</i>					
Unallocated liabilities					890,192
Total liabilities					<u>1,210,735</u>

For the six months ended 30 June 2019

	Financial investments and services (Unaudited) <i>HK\$'000</i>	Brokerage and commission (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Corporate & others (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:					
External	(7,367)	621,960	1,350	4,339	620,282
Intersegment sales	–	1,971	–	–	1,971
	(7,367)	623,931	1,350	4,339	622,253
Elimination	–	(1,971)	–	–	(1,971)
Total	(7,367)	621,960	1,350	4,339	620,282
Segment results	(8,109)	185,646	1,191	(69,790)	108,938
<i>Reconciliation:</i>					
Bank interest income					59
Loss on disposal of an associate					(9,750)
Unallocated expenses					(664)
Finance costs					(30,052)
Share of profit of an associate					2,726
Profit before tax					71,257
Income tax expense					(27,566)
Profit for the period					43,691
For the year ended 31 December 2019 (Audited)					
Assets and liabilities					
Segment assets	1,282,646	628,757	390,049	22,028	2,323,480
<i>Reconciliation:</i>					
Unallocated assets					103,682
Total assets					2,427,162
Segment liabilities	110,915	122,337	87	33,977	267,316
<i>Reconciliation:</i>					
Unallocated liabilities					944,499
Total liabilities					1,211,815

3. REVENUE AND OTHER INCOME AND GAINS OR LOSSES

	For the six months ended 30 June 2020 (Unaudited) <i>HK\$'000</i>	For the six months ended 30 June 2019 (Unaudited) <i>HK\$'000</i>
Revenue		
Commission income from securities and futures dealing	3,299	5,454
Commission from placing	300,436	600,806
Advisory fee income	12,653	4,339
Losses on disposal of equity and fund investments at fair value through profit or loss	(7,886)	(25,090)
Gains/(losses) on disposal of debt investments at fair value through profit or loss	13,750	(467)
Interest income from money lending business	23,237	15,717
Interest income from securities margin	22,161	15,126
Interest income from debt investments	6,986	3,047
Property rental income	–	1,350
	<u>374,636</u>	<u>620,282</u>
Other income and gains		
Bank interest income	4,067	59
Handling fee income	62	3,040
Third party interest in consolidated investment fund	16,083	(1,030)
Government grants	351	–
Others	2,980	982
	<u>23,543</u>	<u>3,051</u>

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June 2020 (Unaudited) <i>HK\$'000</i>	For the six months ended 30 June 2019 (Unaudited) <i>HK\$'000</i>
Depreciation on property, plant and equipment	5,596	1,100
Depreciation on right-of-use assets	15,231	8,382
	<u>20,827</u>	<u>9,482</u>

5. FINANCE COSTS

	For the six months ended 30 June 2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Interest on bank borrowings	4,453	4,134
Interest on other borrowings	16,578	21,802
Interest on bank overdrafts	2,987	845
Interest on notes payable	2,208	2,184
Interest on lease liabilities	707	563
Others	279	524
	<u>27,212</u>	<u>30,052</u>

6. INCOME TAX EXPENSE

	For the six months ended 30 June 2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	20,156	27,566
Overprovision in prior years	(18)	–
	<u>20,138</u>	<u>27,566</u>

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 for the six months ended 30 June 2020.

7. DIVIDEND

The Board has resolved not to pay any interim dividend for the Period (2019: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit attributable to owners of the Company for the Period of HK\$6,042,000 (2019: HK\$43,691,000) and the weighted average number of ordinary shares in issue of 15,578,166,945 (2019: 14,716,650,461) during the Period.

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2020 and period ended 30 June 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Equity investments at fair value through other comprehensive income		
Listed equity investments, at fair value:	<u>432,057</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.

10. LOAN RECEIVABLES FROM MONEY LENDING BUSINESS

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Loan receivables	515,497	466,520
Less: credit loss allowances	<u>(25,658)</u>	<u>(20,058)</u>
	489,839	446,462
Less: non-current portion	<u>(89,616)</u>	<u>(89,805)</u>
	400,223	356,657

Loan receivables represented loans of approximately HK\$489,839,000 (31 December 2019: HK\$446,462,000) granted by the Group to a number of independent third parties. The loans bore interest at rates ranging from 5% to 12% per annum (31 December 2019: ranging from 5% to 12% per annum) and were repayable from one to two years. The grants of these loans were approved and monitored by the Group's management.

The Group holds collateral or other credit enhancement over its loan receivable balances of approximately HK\$330,605,000 (31 December 2019: HK\$353,545,000). The carrying amount of the loan receivables approximates their fair values.

11. TRADE RECEIVABLES FROM SECURITIES AND FUTURES DEALING BUSINESS

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Trade receivables arising from the securities and futures dealing business		
– Clearing houses	4,797	–
– Cash clients	69,677	64,186
– Margin clients	433,794	433,985
– Brokers	–	100
	<hr/>	<hr/>
	508,268	498,271
Less: credit loss allowances	(95,927)	(85,927)
	<hr/>	<hr/>
	412,341	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\$433,794,000 (31 December 2019: HK\$433,985,000) which bears interest at a range of 6% to 12.25% (31 December 2019: at a range of 6% to 12.25%) per annum and are secured by investments held by margin clients of approximately HK\$539,001,000 (31 December 2019: HK\$648,255,000) as at 30 June 2020. 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.

12. TRADE RECEIVABLES FROM PLACING AND ASSET MANAGEMENT BUSINESS

	At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
Trade receivables arising from the placing and asset management business		
– Corporate clients	14,919	45,979
– Investment funds	12,113	6,525
	<hr/>	<hr/>
	27,032	52,504
Less: credit loss allowances	(397)	(239)
	<hr/>	<hr/>
	26,635	52,265
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables from corporate 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 clients and investment funds as at 30 June 2020 were considered not to be credit impaired as the credit rating and reputation of the trade counterparty are sound.

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

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

	At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
Listed securities, mandatorily measured at fair value		
– Equity securities listed in Hong Kong	84,232	38,432
Unlisted fund investments, mandatorily measured at fair value		
– Investment fund in the Cayman Islands	–	48,417
– Investment fund in the PRC	29,861	28,656
	<hr/>	<hr/>
	114,093	115,505
	<hr/> <hr/>	<hr/> <hr/>

The above equity and fund investments at 30 June 2020 and 31 December 2019 were classified as fair value through profit or loss as they were held for trading.

14. TRADE PAYABLES

	At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
Trade payable arising from the business of trading and distribution of electronic and accessory products	502	502
Trade payables arising from the securities and futures dealing business		
– Clearing houses	6,474	5,474
– Cash clients	97,212	16,670
– Margin clients	49,080	51,462
	<u>153,268</u>	<u>74,108</u>

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

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

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.

15. 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.

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

	At 30 June 2020 (Unaudited)			At 31 December 2019 (Audited)		
	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>121,238</u>	4.8 to 5.3	On demand	<u>117,103</u>
Bank borrowings – secured	2.5 to 4.0	2020-2021	117,197	3.0 to 4.9	2020	105,000
Mortgage bank borrowings – secured	3.1 to 3.6	2020-2021	<u>9,021</u>	3.3 to 3.5	2020	<u>8,057</u>
			126,218			113,057
Other borrowings – unsecured	8.0	On demand	215,000	8.0	On demand	215,000
Other borrowings – secured	8.3 to 14.0	2020	<u>134,188</u>	8.3 to 14.1	2020	<u>214,854</u>
			349,188			429,854
			596,644			660,014
Non-current						
Mortgage bank borrowings – secured	3.1 to 3.6	2021-2037	<u>143,983</u>	3.3 to 3.5	2021-2037	<u>148,283</u>
			740,627			808,297

17. SHARE CAPITAL

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Authorised:		
80,000,000,000 (31 December 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 (31 December 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 <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2019 and 1 January 2020	14,719,650,461	147,197	4,671,704	4,818,901
Exercise of share options	1,250,000,000	12,500	93,255	105,755
	<u>15,969,650,461</u>	<u>159,697</u>	<u>4,764,959</u>	<u>4,924,656</u>
At 30 June 2020 (unaudited)	<u>15,969,650,461</u>	<u>159,697</u>	<u>4,764,959</u>	<u>4,924,656</u>

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS AND NON-FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>	At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
Financial assets				
Equity investments at fair value through other comprehensive income	432,057	506,650	432,057	506,650
Equity and fund investments at fair value through profit or loss	114,093	115,505	114,093	115,505
Debt investments at fair value through profit or loss	165,431	168,530	165,431	168,530
	<u>711,581</u>	<u>790,685</u>	<u>711,581</u>	<u>790,685</u>

Management has assessed that the fair values of cash and bank balances, bank balances held on behalf of clients, loan receivables, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, third party interest in consolidated investment fund, other borrowings, bank borrowings and bank overdrafts approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the notes payable and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their carrying amounts.

The fair values of 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 are based on quoted market prices. The fair values of fund investments at fair value through profit or loss are based on the fair values of the underlying assets of the funds of which the quoted prices could be observed in dealing markets.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments and non-financial instruments measured at fair value:

Assets measured at fair value

At 30 June 2020

	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Fair value measurement using Significant observable input (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Investment property	–	–	380,000	380,000
Equity investments at fair value through other comprehensive income	432,057	–	–	432,057
Equity and fund investments at fair value through profit or loss	84,232	29,861	–	114,093
Debt investments at fair value through profit or loss	–	165,431	–	165,431
	<u>516,289</u>	<u>195,292</u>	<u>380,000</u>	<u>1,091,581</u>

At 31 December 2019

	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Fair value measurement using Significant observable input (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Investment property	–	–	390,000	390,000
Equity investments at fair value through other comprehensive income	506,650	–	–	506,650
Equity and fund investments at fair value through profit or loss	38,432	77,073	–	115,505
Debt investments at fair value through profit or loss	–	168,530	–	168,530
	<u>545,082</u>	<u>245,603</u>	<u>390,000</u>	<u>1,180,685</u>

During the six months ended 30 June 2020, there were no transfers of fair value measurements between Level 1 and Level 2 (31 December 2019: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these unaudited interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the Period.

	For the six months ended 30 June 2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Interest income on margin financing from directors arising from securities dealing transactions	866	1,401
Commission income received from directors arising from securities dealing transactions	5	–
	<u>871</u>	<u>1,401</u>

Compensation of key management personnel of the Group:

	For the six months ended 30 June 2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Salary, allowances and benefits in kind	3,501	12,167
Equity-settled share option expense	–	11,159
Retirement scheme contribution	47	39
	<u>3,548</u>	<u>23,365</u>

20. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 28 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

The Group recorded a revenue of approximately HK\$374.6 million for the six months ended 30 June 2020 (the “**Period**”), compared to a revenue of approximately HK\$620.3 million for the six months ended 30 June 2019. It was mainly attributable to the commission income generated from the provision of Debt Capital Market (“**DCM**”) services of approximately HK\$300.4 million. The net profit before tax for the Period was approximately HK\$26.2 million as compared to that of approximately HK\$71.3 million for the six months ended 30 June 2019. The decrease was mainly attributable to the decrease in revenue from the provision of DCM service.

The net profit after tax for the Period was approximately HK\$6.0 million as compared to the net profit after tax of approximately HK\$43.7 million for the six months ended 30 June 2019. Basic earnings per share attributable to owners of the Company for the Period was approximately HK0.04 cent (30 June 2019: basic earnings per share of approximately HK0.3 cent).

Economy Review

In the first half 2020, COVID-19 outbreak began and rapidly evolved into a pandemic. To curb the spread of the disease, the governments of Mainland 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 Period, much worse than that in the global financial crisis in 2008.

In Hong Kong, the seasonally adjusted unemployment rate increased to 6.2% in the second quarter of 2020. It covers all the major economic sector especially in the tourism and consumption sectors. Exports and imports trade were adversely affected by the weaker performance of the global economy and various external factors. Domestic demand also decreased, reflecting pessimistic local economic sentiment.

In line with real economy, the local stock market dropped significant as investor sentiment getting worse. In the first quarter, 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. 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 seriously hit by the threat of COVID-19 pandemic. During the Period, 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 the China’s US dollar bonds, in the primary market for the Period was approximately US\$110.1 billion, representing a decrease of approximately 16.11% compared to corresponding period 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 Period, the commission income from securities and futures dealing was approximately HK\$3.3 million (30 June 2019: HK\$5.5 million) and the interest income from the securities margin was approximately HK\$22.2 million (30 June 2019: HK\$15.1 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 of the China US dollar bonds market, the Group has 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 Period, the Company has so far participated in 25 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\$4,489 million as at 30 June 2020. The debts are issued through either private or public offerings with coupon rates ranging from 2% to 13% per annum. According to the information published on Bloomberg 2020, CWSI ranked as the 33th manager in the issuance of offshore China bonds in the first half of 2020 based on the issuance volume credited to each involved party. During the Period, the provision of DCM services has recorded a commission income of approximately HK\$300.4 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 Period, 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 third 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 for one equity fund and two fixed income funds.

About Central Wealth Investment Fund SPC

CWIF is a segregated portfolio company incorporated in Cayman Islands with limited liabilities in June 2018. CWIF has five segregated portfolios as at 30 June 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 30 June 2020, the assets under management have reached approximately US\$377.4 million (31 December 2019: US\$310.2 million). The management and advisory fee income are approximately HK\$12.7 million during the Period.

Property Investment

The Group principally focuses on the luxury property investment in Hong Kong market and currently holds one luxury property located at No. 2 Lincoln Road, Kowloon Tong in Hong Kong (“**No. 2 Lincoln Road Property**”). The Group has completed the disposal of the No. 2 Lincoln Road Property in July 2020. For details, please refer to the announcements published by the Company dated 4 February 2020, 12 February 2020, 28 February 2020, 19 March 2020, 23 March 2020 and 3 June 2020 and the circular of the Company dated 24 April 2020.

Financial Investments and Services

Financial investments and trading

During the Period, the Hang Seng Index starts at 28,543 points and closed at 24,427 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\$11.1 million.

As at 30 June 2020, the Group has subscribed the Fortune China bond SP II which have an aggregate fair value of approximately HK\$51.9 million. During the Period, the interest income from debt investments amounted to approximately HK\$7.0 million.

Money lending business

During the Period, the interest income from the money lending business was approximately HK\$23.2 million. The net balance of loan book recorded an increase of approximately HK\$43.6 million to approximately HK\$400.2 million as compared to approximately HK\$356.7 million as at 31 December 2019. The money lending business charged annual interest rates at a range from 5% to 12% (30 June 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. The economic impact will be significant if the virus continues to spread. In March 2020, Federal Reserve announced it is dropping its benchmark interest rate to zero and launching a new round of QE. The US government is taking measure to boot the global economy. The COVID-19 in mainland China is under control. It is expected that mainland China economy will bounce back after the crisis.

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 Period recorded a revenue of approximately HK\$374.6 million as compared to the revenue of approximately HK\$620.3 million last period. The Group's revenue principally comprised the interest income from money lending business of approximately HK\$23.2 million, commission income from provision of DCM services of approximately HK\$300.4 million, commission income from securities and futures dealing of approximately HK\$3.3 million and interest income from securities margin of approximately HK\$22.2 million and interest income from debt investments of approximately HK\$7.0 million.

The Group recorded other comprehensive gain of approximately HK\$28.7 million for the Period (other comprehensive loss for the six months ended 30 June 2019: approximately HK\$479.4 million). It was mainly attributable to a fair value gain of approximately HK\$24.4 million on equity investments at fair value through other comprehensive income (for the six months ended 30 June 2019: fair value loss of approximately HK\$484.0 million). As at 30 June 2020, the Group's net asset value was approximately HK\$1,318.5 million (31 December 2019: HK\$1,215.3 million).

Liquidity and Financial Resources

During the Period, 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 30 June 2020 were approximately HK\$132.3 million (31 December 2019: HK\$99.2 million).

As at 30 June 2020, the Group had bank overdrafts of approximately HK\$121.2 million (31 December 2019: HK\$117.1 million), interest-bearing bank borrowings of approximately HK\$270.2 million (31 December 2019: HK\$261.3 million), interest-bearing other borrowings of approximately HK\$349.2 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 30 June 2020, the Group's current ratio was approximately 1.60 times (31 December 2019: 1.41 times) based on current assets of approximately HK\$1,547.5 million (31 December 2019: HK\$1,367.9 million) and current liabilities of approximately HK\$968.8 million (31 December 2019: HK\$966.9 million). As at 30 June 2020, the Group has no capital commitment (31 December 2019: Nil). The Group also had no other contingent liabilities (31 December 2019: Nil).

Capital Structure

As at 30 June 2020, the Group's gearing ratio was approximately 62.7% (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\$827.2 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 Period. 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 30 June 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\$711.6 million. The details of the portfolio of equity investments and debt investments as at 30 June 2020 are set out as follows:

Stock Code	Name of the investees	Percentage of shareholding in the listed securities held by the Group as at 30 June 2020	Percentage of the fair value of the investment in listed securities to total assets of the Group as at 30 June 2020	Fair value of the investment in listed securities as at 30 June 2020 HK\$'000	Carrying value of the investment in listed securities as at 30 June 2020 HK\$'000	Fair value gains/ (losses) of the investment in listed securities as at 30 June 2020 HK\$'000	Realised gain/(loss) for the period ended 30 June 2020 HK\$'000
Equity investments at fair value through other comprehensive income							
1141	CMBC Capital Holdings Limited	5.50%	17.00%	429,970	945,135	(515,165)	(161,081)
	Others	-	0.08%	2,087	31,715	(29,628)	(74,647)
	Total			<u>432,057</u>	<u>976,850</u>	<u>(544,793)</u>	<u>(235,728)</u>
Equity and fund investments at fair value through profit or loss							
1141	CMBC Capital Holdings Limited	1.03%	1.28%	80,475	64,711	15,764	75
	Others	-	1.33%	33,618	38,274	(4,656)	(3,049)
	Total			<u>114,093</u>	<u>102,985</u>	<u>11,108</u>	<u>(2,974)</u>
Debit investments at fair value through profit or loss*							
	Total	-	6.54%	<u>165,431</u>	<u>195,443</u>	<u>(30,012)</u>	<u>-</u>

* The debt investments are invested through Fortune China Bond SPII, 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. 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 annual report for the year ended 31 December 2019, the CMBC Group recorded a total revenue and other income of approximately HK\$989.3 million for the year. The CMBC Group has reported a net profit of approximately HK\$356.9 million attributable to shareholders of CMBC. The basic and diluted earnings per share were both HK0.75 cent. As at 31 December 2019, the audited consolidated net asset value of the CMBC Group was approximately HK\$2,222.2 million. CMBC Group has declared a final dividend of HK0.33 cent per ordinary share for the year ended 31 December 2019. Dividend was received by the Group in July 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 30 June 2020, the Group held 3,112,465,829 shares of CMBC. CMBC closed at HK\$0.164 as at 30 June 2020 as compared to HK\$0.143 as at 31 December 2019.

2. *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 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.

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 30 June 2020, the Group held 6,999 shares of Fortune China Bond SP II representing 54.38 % of shares of Fortune China Bond SP II.

Details of Charges on Assets

As at 30 June 2020, the Group had pledged certain listed equity investments of approximately HK\$516.3 million (31 December 2019: HK\$505.6 million) to secure the other borrowings. As at 30 June 2020, the Group had pledged its investment properties with a carrying amount of approximately HK\$380.0 million to secure the bank borrowings (31 December 2019: HK\$390.0 million).

Employment, Training and Development

As at 30 June 2020, the Group had a total of 85 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 committed to maintaining good corporate governance, consistently enhancing transparency and effective accountability in order to maximize shareholders' benefit. Detailed disclosure of the Company's corporate governance practices was stated in its last published Annual Report for the year ended 31 December 2019.

The Company has complied with the code provisions set out in the Corporate Governance Code in Appendix 14 of the Listing Rules throughout the Period.

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 Period.

AUDIT COMMITTEE

The Audit Committee meets at least twice a year to monitor and review the integrity and effectiveness of the Company's financial reporting. The Audit Committee has reviewed the Company's unaudited interim condensed consolidated financial statements for the Period and discussed auditing, financial and internal control, and financial reporting matters of the Company. The Audit Committee comprises three members, namely, Mr. Kwok Chi Kwong (Chairman of the Audit Committee), Mr. Liu Hongwei and Mr. Wu Ming, all of whom are independent non-executive directors of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted its code of conduct regarding directors' dealings in the securities of the Company (the "**Own Code**") on terms no exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "**Model Code**"). Having made specific enquiry of all directors of the Company, the directors have confirmed that they have complied with the requirements set out in the Model Code and the Own Code during the Period.

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

Hong Kong, 28 August 2020

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.