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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 2021

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 2021 (the “**Year**”) together with comparative figures for the previous period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

| | Note | 2021 HK\$'000 | 2020 HK\$'000 |
|------------------------------------|------|------------------|------------------|
| REVENUE | | | |
| Financial investments and services | | 43,251 | 74,697 |
| Brokerage and commission income | | 161,670 | 522,691 |
| Advisory fee income | | 38,920 | 72,462 |
| | 4 | <u>243,841</u> | <u>669,850</u> |
| Brokerage and commission expenses | | <u>(157,624)</u> | <u>(311,013)</u> |
| Gross profit | | 86,217 | 358,837 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)*For the year ended 31 December 2021*

| | <i>Notes</i> | 2021 HK\$'000 | 2020 HK\$'000 |
|---|--------------|--------------------------------|-------------------------|
| Other income and (losses)/gains, net | 4 | (5,621) | 17,018 |
| Administrative expenses | | (157,948) | (208,293) |
| Equity-settled share option arrangements | | (11,880) | – |
| Other operating expenses | | (4,738) | (6,196) |
| Finance costs | 5 | (32,863) | (48,215) |
| Unrealised fair value (losses)/gains on equity and fund investments at fair value through profit or loss, net | | (107,632) | 42,483 |
| Unrealised fair value losses on debt investments at fair value through profit or loss, net | | (1,219) | (7,756) |
| Credit loss allowances on other financial assets | | (133,775) | (103,838) |
| Loss on revaluation of investment property | | – | (10,000) |
| Gain on disposal of subsidiaries | | – | 1,345 |
| | | <hr/> | <hr/> |
| (LOSS)/PROFIT BEFORE INCOME TAX | 6 | (369,459) | 35,385 |
| Income tax expense | 7 | (1,807) | (7,627) |
| | | <hr/> | <hr/> |
| (LOSS)/PROFIT FOR THE YEAR | | | |
| ATTRIBUTABLE TO OWNERS OF THE COMPANY | | (371,266) | 27,758 |
| | | <hr/> | <hr/> |
| DIVIDENDS | 8 | – | – |
| | | <hr/> | <hr/> |
| (LOSS)/EARNINGS PER SHARE | | | |
| ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| Basic and Diluted | 9 | HK(2.32) cents | HK0.18 cents |
| | | <hr/> | <hr/> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY | <u>(371,266)</u> | <u>27,758</u> |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | 2,758 | 6,108 |
| 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 | <u>201,763</u> | <u>(46,342)</u> |
| Other comprehensive income/(loss) for the year attributable to owners of the Company | <u>204,521</u> | <u>(40,234)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY | <u><u>(166,745)</u></u> | <u><u>(12,476)</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | <i>Notes</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 4,198 | 6,682 |
| Right-of-use assets | | 10,770 | 36,828 |
| Intangible assets | | 500 | 500 |
| Equity investments at fair value through other comprehensive income | <i>10</i> | 493,258 | 344,559 |
| Deferred tax assets | | 110 | 283 |
| Loan receivables from money lending business | <i>11</i> | 353,930 | 363,154 |
| Finance lease receivables | | 3,946 | – |
| Deposits and other receivables | | 37,032 | 11,775 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 903,744 | 763,781 |
| CURRENT ASSETS | | | |
| Loan receivables from money lending business | <i>11</i> | 115,851 | 153,935 |
| Trade receivables from securities and futures dealing business | <i>12</i> | 130,116 | 306,785 |
| Trade receivables from placing and asset management business | <i>13</i> | 45,990 | 43,505 |
| Finance lease receivables | | 2,426 | – |
| Prepayments, deposits and other receivables | | 85,545 | 91,995 |
| Equity and fund investments at fair value through profit or loss | <i>14</i> | 95,558 | 373,649 |
| Debts investments at fair value through profit or loss | | 173,035 | 241,919 |
| Cash and bank balances | | 116,364 | 140,440 |
| Bank balances held on behalf of clients | | 159,683 | 436,471 |
| | | <hr/> | <hr/> |
| Total current assets | | 924,568 | 1,788,699 |
| CURRENT LIABILITIES | | | |
| Trade payables | <i>15</i> | 168,102 | 440,015 |
| Lease liabilities | | 4,018 | 29,295 |
| Third party interest in consolidated investment fund | | 52,662 | 86,358 |
| Other payables and accruals | <i>16</i> | 84,693 | 67,558 |
| Other borrowings | <i>17</i> | 268,109 | 364,972 |
| Bank borrowings | <i>17</i> | 71,664 | 102,716 |
| Note payable | | 50,000 | – |
| Bank overdrafts | <i>17</i> | – | 86,408 |
| Tax payable | | 56 | 9,854 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 699,304 | 1,187,176 |

| | <i>Note</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| NET CURRENT ASSETS | | <u>225,264</u> | <u>601,523</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>1,129,008</u> | <u>1,365,304</u> |
| NON-CURRENT LIABILITIES | | | |
| Notes payable | | – | 86,574 |
| Lease liabilities | | 6,599 | 1,371 |
| Deferred tax liabilities | | – | 85 |
| Total non-current liabilities | | <u>6,599</u> | <u>88,030</u> |
| Net assets | | <u>1,122,409</u> | <u>1,277,274</u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | <i>18</i> | 159,697 | 159,697 |
| Reserves | | <u>962,712</u> | <u>1,117,577</u> |
| Total equity | | <u>1,122,409</u> | <u>1,277,274</u> |

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 amendments to HKFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2021, the Group has applied, for the first time, the following new and amendments to standards issued by the HKICPA.

| | |
|---|---|
| Amendment to HKFRS 16 | <i>Covid-19-Related Rent Concessions</i> |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | <i>Interest Rate Benchmark Reform Phase 2</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 2021. 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:

| | | Effective for annual reporting periods beginning on or after |
|--|---|---|
| HKFRS 17 | Insurance Contracts and the related Amendments | 1 January 2023 |
| Amendment to AG 5 | Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised) | 1 January 2022 |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions Beyond 30 June 2021 | 1 April 2021 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| 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 HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| 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 |

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 beyond 30 June 2021

The amendment is effective for annual reporting periods beginning on or after 1 April 2021.

The Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

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.

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 2021

| | Financial investments and services <i>HK\$'000</i> | Brokerage and commission <i>HK\$'000</i> | Corporate and others <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|-------------------------------|---|---|--|---------------------------------|
| Segment revenue: | | | | |
| External | 43,251 | 161,670 | 38,920 | 243,841 |
| Intersegment sales | – | 1,711 | 1,240 | 2,951 |
| | 43,251 | 163,381 | 40,160 | 246,792 |
| Elimination | – | (1,711) | (1,240) | (2,951) |
| Total | <u>43,251</u> | <u>161,670</u> | <u>38,920</u> | <u>243,841</u> |
| Segment results | <u>(103,889)</u> | <u>(200,139)</u> | <u>(31,712)</u> | <u>(335,740)</u> |
| <i>Reconciliation:</i> | | | | |
| Bank interest income | | | | 25 |
| Unallocated expenses | | | | (881) |
| Finance costs | | | | <u>(32,863)</u> |
| Loss before income tax | | | | (369,459) |
| Income tax expense | | | | <u>(1,807)</u> |
| Loss for the year | | | | <u>(371,266)</u> |
| Assets and liabilities | | | | |
| Segment assets | 1,320,415 | 337,488 | 53,857 | 1,711,760 |
| <i>Reconciliation:</i> | | | | |
| Unallocated assets | | | | <u>116,552</u> |
| Total assets | | | | <u>1,828,312</u> |
| Segment liabilities | 53,143 | 220,898 | 41,922 | 315,963 |
| <i>Reconciliation:</i> | | | | |
| Unallocated liabilities | | | | <u>389,940</u> |
| Total liabilities | | | | <u>705,903</u> |

For the year ended 31 December 2020

| | Financial investments and services <i>HK\$'000</i> | Brokerage and commission <i>HK\$'000</i> | Property investment <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> |
| <u>Reconciliation:</u> | | | | | |
| 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 |
| <u>Reconciliation:</u> | | | | | |
| Unallocated assets | | | | | 140,890 |
| | | | | | <hr/> |
| Total assets | | | | | <u>2,552,480</u> |
| Segment liabilities | 81,942 | 492,994 | – | 42,623 | 617,559 |
| <u>Reconciliation:</u> | | | | | |
| Unallocated liabilities | | | | | 657,647 |
| | | | | | <hr/> |
| Total liabilities | | | | | <u>1,275,206</u> |

Other segment information

For the year ended 31 December 2021

| | Financial investments and services <i>HK\$'000</i> | Brokerage and commission <i>HK\$'000</i> | Corporate and others <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|---|---|--|---------------------------------|
| Depreciation on property, plant and equipment | – | 5,754 | 593 | 6,347 |
| Depreciation on right-of-use assets | – | 9,230 | 10,446 | 19,676 |
| Credit loss allowances on loan receivables from money lending business, net | 22,877 | – | – | 22,877 |
| Credit loss allowances on trade receivables from securities and futures dealing business, net | – | 89,835 | – | 89,835 |
| Provision for/(reversal of) credit loss allowances on trade receivables from placing and asset management business, net | – | 17,191 | (796) | 16,395 |
| Provision for credit loss allowances on financial assets included in prepayments, deposits and other receivables, net | 4,668 | – | – | 4,668 |
| Written off on other receivables | – | 242 | – | 242 |
| Net loss from sub-leasing right-of-use asset | – | 8,806 | – | 8,806 |
| Waiver on note payable and note interest payable | – | – | (2,158) | (2,158) |
| Capital expenditure* | – | 180 | 3,500 | 3,680 |

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

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.

Geographical information

The following tables present derived revenue from external customers for the years ended 31 December 2021 and 2020, and certain non-current assets information as at 31 December 2021 and 2020, by geographical region.

| | Hong Kong | | PRC | | Total | |
|---------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
| Revenue from external customers | <u>239,776</u> | <u>629,072</u> | <u>4,065</u> | <u>40,778</u> | <u>243,841</u> | <u>669,850</u> |
| Non-current assets | <u>902,460</u> | <u>756,633</u> | <u>1,284</u> | <u>7,148</u> | <u>903,744</u> | <u>763,781</u> |
| Non-current assets* | <u>14,234</u> | <u>37,178</u> | <u>1,234</u> | <u>6,832</u> | <u>15,468</u> | <u>44,010</u> |

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

Information about major customers and suppliers

The aggregate revenue during the year attributable to the Group's five largest customers was 30.22% (2020: 49.00%) of the Group's total revenue, of which 8.19% (2020: 13.99%) 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 (2020: 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 (LOSSES)/GAINS, NET

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

| | 2021 <i>HK\$'000</i> | 2020 <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 | 11,150 | 9,246 |
| Commission income from placing | 137,861 | 469,175 |
| Performance fee income | 97 | 407 |
| Management fee income | 38,823 | 72,055 |
| <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 | (17,365) | (19,275) |
| Gain on disposal of debt investments at fair value through profit or loss | 5,630 | 29,582 |
| Losses on disposal of fund investments at fair value through profit or loss | (1,158) | – |
| Dividend income from investment in listed equity securities | 1,971 | 10,693 |
| Dividend income from fund investments at fair value through profit or loss | 5,223 | – |
| Interest income from money lending business | 37,917 | 36,695 |
| Interest income from securities margin | 12,659 | 44,270 |
| Interest income from debt investments | 11,033 | 17,002 |
| | <u>243,841</u> | <u>669,850</u> |

| | <i>Notes</i> | 2021 HK\$'000 | 2020 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <u>Other income and (losses)/gains, net</u> | | | |
| Bank interest income | | 25 | 444 |
| Handling fee income | | 1,109 | 1,641 |
| Change in third party interest in consolidated investment fund | <i>(i)</i> | (3,435) | 7,172 |
| Wages subsidies of the Employment Support Scheme | <i>(ii)</i> | – | 2,065 |
| Rental income | <i>(iii)</i> | 1,295 | 1,074 |
| Waiver on note payable and note interest payable | | 2,158 | – |
| Net loss from sub-leasing right-of use asset | | (8,806) | – |
| Interest income from finance lease receivables | | 2 | – |
| Others | | 2,031 | 4,622 |
| | | (5,621) | 17,018 |

Notes:

- (i) This amount represented the net change in net asset value of consolidated investment fund attributable to third-party shareholders.
- (ii) For the year ended 31 December 2020, 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:

| | 2021 HK\$'000 | 2020 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Interest on bank borrowings | 2,072 | 5,879 |
| Interest on other borrowings – margin loans | 5,483 | 13,189 |
| Interest on other borrowings – unsecured | 16,520 | 17,823 |
| Interest on bank overdrafts | 2,265 | 5,398 |
| Interest on notes payable | 5,914 | 4,468 |
| Interest on lease liabilities | 593 | 1,383 |
| Others | 16 | 75 |
| | 32,863 | 48,215 |

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Depreciation | | |
| Right-of-use assets | 19,676 | 30,071 |
| Property, plant and equipment | 6,347 | 11,669 |
| | <u>26,023</u> | <u>41,740</u> |
| Employee benefit expense (including directors' remuneration): | | |
| Wages and salaries | 83,232 | 203,922 |
| Equity-settled share option arrangements, net | 11,880 | – |
| Retirement benefit scheme contributions | 4,554 | 1,989 |
| | <u>99,666</u> | <u>205,911</u> |
| Minimum lease payments under operating leases* | 631 | 53 |
| Auditor's remuneration | 1,800 | 1,826 |
| Credit loss allowances on loan receivables from money lending business, net | 22,877 | 4,502 |
| Credit loss allowances on trade receivable from securities and futures dealing business, net | 89,835 | 96,970 |
| Credit loss allowance on trade receivable from placing and asset management business, net | 16,395 | 1,269 |
| Credit loss allowances on financial assets included in prepayments, deposits and other receivables, net | 4,668 | 1,097 |
| Write off on other receivables | 242 | – |
| Loss on revaluation of investment property | – | 10,000 |
| Foreign exchange differences, net | (539) | 1,712 |

* The amount represented short-term lease payments for the year ended 31 December 2021 and 2020 under HKFRS 16.

As at 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2020: Nil).

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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.

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Current – Hong Kong | | |
| Charge for the year | 2,070 | 17,603 |
| Over-provision in prior years | (408) | (99) |
| | <u>1,662</u> | <u>17,504</u> |
| Current – the PRC | | |
| Charge for the year | – | – |
| Under/(over)-provision in prior years | 59 | (8,969) |
| | <u>59</u> | <u>(8,969)</u> |
| Deferred | 86 | (908) |
| Income tax expense | <u>1,807</u> | <u>7,627</u> |

8. DIVIDENDS

The directors of the Company do not recommend the payment of any final dividend for the year (2020: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss (2020: earnings) per share amount is based on the loss for the year attributable to owners of the Company of approximately HK\$371,266,000 (2020: profit of HK\$27,758,000), and the weighted average number of ordinary shares in issue of 15,969,650,000 (2020: 15,774,978,000).

The calculation of the basic and diluted (loss)/earnings per share are based on:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| (Loss)/profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculations | <u>(371,266)</u> | <u>27,758</u> |

| | Number of shares | |
|--|-------------------|------------|
| | 2021 | 2020 |
| | '000 | '000 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculations | 15,969,650 | 15,774,978 |

For the years ended 31 December 2021 and 2020, the assumed conversion of potential ordinary shares in relation to the share option has an anti-dilutive effect to the basic loss (2020: earnings) per share as the exercise price of the options exceeds the average market price of ordinary shares.

10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2021 | 2020 |
|--|-----------------|-----------------|
| | HK\$'000 | HK\$'000 |
| Equity securities listed in Hong Kong, at fair value | 493,258 | 344,559 |

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.

The fair values of the listed equity securities investments were determined based on the quoted market closing prices on the Stock Exchange.

An analysis of investment portfolio is as below:

| Stock code | Name of securities | 2021 | | 2020 | |
|------------|---|-----------------|------|-----------------|------|
| | | HK\$'000 | %* | HK\$'000 | %* |
| 572 | Future World Holdings Limited | 1,001 | 1.91 | 2,350 | 1.19 |
| 1141 | CMBC Capital Holdings Limited | 40,863 | 0.72 | 122,155 | 1.91 |
| 412 | China Shandong Hi-Speed Financial Group Limited | 451,394 | 2.34 | 220,054 | 2.34 |
| | | 493,258 | | 344,559 | |

* *Percentage of shareholding in the listed securities held by the Group*

During the year, the Group received the amount of approximately HK\$1,117,000 (2020: HK\$8,650,000) dividend from these investments and recognised in the “Revenue” in the consolidated statement of profit or loss.

During the year ended 31 December 2021, the Group sold part of its equity investments to provide for general working capital. These shares were sold at an aggregate amount of approximately HK\$99,048,000 and resulted in a cumulative loss of approximately HK\$119,949,000 which was transferred from equity investment fair value reserve to accumulated losses during the year.

During the year ended 31 December 2020, the Group sold part of its equity investments due to the forced sales of shares to repay margin loans as requested by its brokers. These shares were sold at an aggregate amount of approximately HK\$358,750,000 and resulted in a cumulative loss of approximately HK\$716,286,000 which was transferred from equity investment fair value reserve to accumulated losses during the year.

As at 31 December 2021, the Group’s equity investments at fair value through other comprehensive income, with carrying amount of approximately HK\$40,399,000 (2020: HK\$94,138,000), have been pledged to secure the other borrowings granted to the Group (Note 17(c)).

11. LOAN RECEIVABLES FROM MONEY LENDING BUSINESS

| | 2021 <i>HK\$’000</i> | 2020 <i>HK\$’000</i> |
|------------------------------|-------------------------|-------------------------|
| Loan receivables | 517,218 | 541,649 |
| Less: credit loss allowances | <u>(47,437)</u> | <u>(24,560)</u> |
| | 469,781 | 517,089 |
| Less: non-current portion | <u>(353,930)</u> | <u>(363,154)</u> |
| Current portion | <u><u>115,851</u></u> | <u><u>153,935</u></u> |

As at 31 December 2021, the gross amount of loan receivables represented loans of approximately HK\$517,218,000 (2020: HK\$541,649,000) granted by the Group to a number of independent third parties. The loans bore interest at rates ranging from 5% to 7% (2020: 5% to 12%) per annum and were repayable within three years (2020: 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\$47,125,000 (2020: HK\$2,032,000) were past due and approximately HK\$470,093,000 (2020: HK\$539,617,000) 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 at market price of approximately HK\$440,295,000 (2020: HK\$526,230,000), 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 borrowers. The carrying amount of the loan receivables approximates their fair values. As at 31 December 2021, no collaterals are held for credit-impaired loan receivables (2020: Nil).

12. TRADE RECEIVABLES FROM SECURITIES AND FUTURES DEALING BUSINESS

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables arising from the securities and futures dealing business | | |
| – Clearing houses | – | 11,158 |
| – Cash clients | 14,267 | 16,955 |
| – Margin clients | 388,581 | 461,569 |
| | <hr/> | <hr/> |
| | 402,848 | 489,682 |
| Less: credit loss allowances | (272,732) | (182,897) |
| | <hr/> | <hr/> |
| | 130,116 | 306,785 |
| | <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\$388,581,000 (2020: HK\$461,569,000) which bear interest at a range of 6% to 12.25% (2020: 6% to 12.25%) per annum and are secured by investments held by margin clients of approximately HK\$1,029,010,000 as at 31 December 2021 (2020: HK\$940,472,000). 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.

13. TRADE RECEIVABLES FROM PLACING AND ASSET MANAGEMENT BUSINESS

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables arising from the placing and asset management business | | |
| – Corporate clients | 30,863 | 29,079 |
| – Individual clients | 241 | 285 |
| – Investment funds | 32,789 | 15,649 |
| | <u>63,893</u> | <u>45,013</u> |
| Less: credit loss allowances | (17,903) | (1,508) |
| | <u><u>45,990</u></u> | <u><u>43,505</u></u> |

Trade receivables from corporate clients, 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 clients, individual clients and investment funds as at 31 December 2021 and 2020 were considered not to be credit impaired as the credit rating and reputation of the trade counterparty are sound.

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Listed securities, mandatorily measured at fair value | | |
| – Equity securities listed in Hong Kong | 65,373 | 321,699 |
| – Equity securities listed in United States | 3,543 | – |
| Unlisted fund investment, mandatorily measured at fair value | | |
| – Investment fund in the Cayman Islands | 872 | 855 |
| – Investment funds in the PRC | 25,770 | 51,095 |
| | <u>95,558</u> | <u>373,649</u> |

As at 31 December 2021, no financial assets at fair value through profit or loss have been pledged to secure the other borrowings granted to the Group (2020: approximately HK\$80,040,000) (Note 17(c)).

15. TRADE PAYABLES

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade payables arising from the securities and futures dealing business | | |
| – Clearing houses | 16,842 | – |
| – Cash clients | 50,323 | 364,774 |
| – Margin clients | 100,937 | 75,241 |
| | <u>168,102</u> | <u>440,015</u> |

Trade payables arising from the securities dealing business bear interest at 0.01% (2020: 0.01%) per annum and repayable on the settlement day of the relevant trades.

Trade payables arising from the futures dealing business are non-interest bearing and repayable on the settlement day of the relevant trades.

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. The carrying amount of trade payables approximates their fair values.

16. 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.

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

| | 2021 | | | 2020 | | |
|------------------------------|---------------------------------------|-----------|----------------|---------------------------------------|-----------|----------------|
| | Effective interest rate per annum (%) | Maturity | HK\$'000 | Effective interest rate per annum (%) | Maturity | HK\$'000 |
| Current | | | | | | |
| Bank overdrafts – secured | – | On demand | – | 4.8 to 5.3 | On demand | 86,408 |
| Bank borrowings – secured | 3.0 to 4.9 | 2022 | 71,664 | 3.0 to 4.9 | 2021 | 102,716 |
| Other borrowings – unsecured | 7.0 | On demand | 236,000 | 5.3 to 8.0 | On demand | 245,200 |
| Other borrowings – secured | 9.0 to 12.0 | 2022 | 32,109 | 9.0 to 13.0 | 2021 | 119,772 |
| | | | <u>268,109</u> | | | <u>364,972</u> |
| | | | <u>339,773</u> | | | <u>554,096</u> |

Notes:

- (a) The Group's overdraft facilities amounting to HK\$230,000,000 (2020: HK\$175,000,000), of which had not been utilised as at the end of the reporting period (2020: utilised approximately HK\$86,408,000).
- (b) Certain of the Group's bank borrowings (2020: the Group's bank overdraft and certain of the Group's bank borrowings) included above are secured by listed equity and debt investments securities pledged to the Group held by certain margin clients with an aggregate amount of approximately HK\$143,364,295 (2020: HK\$343,668,000).

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Equity investments at fair value through profit or loss | – | 80,040 |
| Equity investments at fair value through other comprehensive income | <u>40,399</u> | <u>94,138</u> |
| | <u><u>40,399</u></u> | <u><u>174,178</u></u> |

- (d) Other borrowings – unsecured are repayable on demand to Globally Finance Limited, a subsidiary of Future World Holdings Limited.
- (e) As at 31 December 2021 and 2020, bank borrowings and other borrowings are maturing within one year. The carrying amounts of these loans approximate to their fair values.
- (f) As at 31 December 2021 and 2020, secured bank borrowings bear floating rates with reference to HIBOR and Prime Rate. The carrying amounts of these loans approximate their fair values.

18. SHARE CAPITAL

Shares

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Authorised: | | |
| 80,000,000,000 (2020: 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 (2020: 15,969,650,461) ordinary shares of HK\$0.01 each | <u>159,697</u> | <u>159,697</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>Note</i> | | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 1 January 2020 | 14,719,650,461 | 147,197 | 4,671,704 | 4,818,901 |
| Exercise of share options | <i>(i)</i> <u>1,250,000,000</u> | <u>12,500</u> | <u>92,420</u> | <u>104,920</u> |
| At 31 December 2020, 1 January 2021 and 31 December 2021 | <u>15,969,650,461</u> | <u>159,697</u> | <u>4,764,124</u> | <u>4,923,821</u> |

Note:

- (i) 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\$243.8 million for the year ended 31 December 2021 (the “Year”), compared to a revenue of approximately HK\$669.9 million for the year ended 31 December 2020. It was mainly attributable to the commission income generated from the provision of Debt Capital Market (“DCM”) services of approximately HK\$137.9 million. The net loss before tax for the Year was approximately HK\$369.5 million as compared to the net profit before tax of approximately HK\$35.4 million for the year ended 31 December 2020. The significant decrease in revenue and turnaround from profit to loss for the year was mainly attributable to (i) the recognition of unrealized fair value loss on equity and fund investments at fair value through profit or loss and (ii) credit loss allowances on other financial assets.

The net loss after tax for the Year was approximately HK\$371.3 million as compared to the net profit after tax of approximately HK\$27.8 million for the year ended 31 December 2020. Basic loss per share attributable to owners of the Company for the Year was approximately HK2.32 cents (31 December 2020: basis earnings of approximately HK0.18 cents).

Economy Review

In 2021, COVID-19 cases fell across much of the world signals a new dawn in the fight of the disease. Vaccines are proving effective and most 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 gradually recovered. However, the Omicron variant is sweeping across the global. Omicron is still highly contagious and can infect people even if they are fully vaccinated.

For 2021 as a whole, Hong Kong’s economy expanded by 6.4% and the unemployment rate fell to approximately 3.9% in the fourth quarter. 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 opened at 27,087 points and closed at 28,828 points at the end the first half. In the second half year, Hang Seng Index start to drop by 5,430 points to 23,398 points at the end of 2021. The rising unemployment rate in city is putting pressure on local housing price. Hong Kong’s property market remains resilient, but uncertainty persists.

In the first half of the year, China Huarong Asset Management Company failed to release its 2020 financial results, prompting the selloff of its bonds and those of its subsidiaries as investors worried about the group's financial health and reports of a potential restructuring. The Huarong-related credit risks hit investment-grade Chinese-funded dollar bonds. In the second half of the year, Chinese property giant China Evergrande Group ("Evergrande") failed to meet interest payments to international investors. The crisis has spooked investors who fear contagion across China's property sectors. The bond offering has a slow pace of growth during the year, hurt by credit risk, COVID-19 outbreaks and a weakening property and financial sector. According to Bloomberg, the total issuance volume of US dollar bonds, in the primary market for the Year was approximately US\$3,053.5 billion, representing a decrease of approximately 19.3% 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\$11.2 million (31 December 2020: HK\$9.2 million) and the interest income from the securities margin financing was approximately HK\$12.7 million (31 December 2020: HK\$44.3 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 52 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\$7.7 billion as at 31 December 2021. The debts are issued through either private or public offerings with coupon rates ranging from 1.75% to 14% per annum. According to the information published on Bloomberg 2021, CWSI ranked as the 52th 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\$137.9 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 12 segregated portfolios as at 31 December 2021. 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 2021, the assets under management have reached approximately US\$787.1 million (31 December 2020: US\$714.1 million). The management and performance fee income is approximately HK\$38.9 million during the Year.

Financial Investments and Services

Financial investments and trading

During the Year, the Hang Seng Index starts at 27,087 points and closed at 23,397 points. Despite the local stock market rebounded, the Group recorded unrealized losses on equity and fund investments at fair value through profit or loss of approximately HK\$107.6 million and realized losses on disposal of equity and fund investments at fair value through profit or loss of approximately HK\$18.5 million.

During the Year, the Group has a unrealized fair value losses on debts investment at fair value through profit or loss of approximately HK\$1.2 million and gains on disposal of debt investments at fair value through profit or loss of approximately HK\$5.6 million, the interest income from debt investments amounted to approximately HK\$11.0 million.

Money lending business

During the Year, the interest income from the money lending business was approximately HK\$37.9 million. The net balance of loan book recorded a decrease of approximately HK\$47.3 million to approximately HK\$469.8 million as compared to approximately HK\$517.1 million as at 31 December 2020. The money lending business charged annual interest rates at a range from 5% to 7% (31 December 2020: 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

In 2022, major economies including the United States, China and countries in the euro zone are expected to slow down this year. A resurgence in COVID-19 infections, due to the highly contagious omicron variant, will likely disrupt economic activity in the near term and could worsen growth projections if it persists. Reduced cross border travel remains the primary concern for businesses. Year 2021 is the year of “Recovery” with economy growth rate and employment rate improved. We expect that, in 2022, the depth and speed of recovery remains uncertain as Hong Kong is affected by the external environment and the local epidemic situation can remains.

The offshore bond market was severely hit by the elevated concerns on the deteriorating credit crisis caused by Evergrande and a series of defaults and credit events of Chinese property developers, particularly in the second half of 2021. Investors turned risk-averse as they pulled out from the offshore bond market, especially the high yield bonds issued by Chinese property developers. As a result, bond prices dropped significantly with non-investment grade and/or high-yield property developers suffering the most. China's offshore bond market is expected to continue seeing defaults – especially in the stressed property sector.

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\$243.8 million as compared to the revenue of approximately HK\$669.9 million last year. The Group's revenue principally comprised the interest income from money lending business of approximately HK\$37.9 million, commission income from provision of DCM services of approximately HK\$137.9 million, commission income from securities and futures dealing of approximately HK\$11.2 million, interest income from securities margin financing of approximately HK\$12.7 million and management fee and performance fee income from asset management business of approximately HK\$38.9 million.

The Group recorded other comprehensive income of approximately HK\$204.5 million for the Year (31 December 2020: other comprehensive loss of HK\$40.2 million). It was mainly attributable to a fair value income of approximately HK\$201.8 million on equity investments at fair value through other comprehensive income (31 December 2020: HK\$46.3 million). As at 31 December 2021, the Group's net asset value was approximately HK\$1,122.4 million (31 December 2020: HK\$1,277.3 million).

Major Customers

During the Year, the Group's largest customer and five largest customers accounted for approximately 8.19% and 30.22% 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 2021 were approximately HK\$116.4 million (31 December 2020: HK\$140.4 million).

As at 31 December 2021, the Group did not have any bank overdrafts (31 December 2020: HK\$86.4 million), notes payable of HK\$50 million (31 December 2020: HK\$86.6 million), interest-bearing bank borrowings of approximately HK\$71.7 million (31 December 2020: HK\$102.7 million) and interest-bearing other borrowings of approximately HK\$268.1 million (31 December 2020: HK\$365.0 million).

As at 31 December 2021, the Group's current ratio was approximately 1.32 times (31 December 2020: 1.51 times) based on current assets of approximately HK\$924.6 million (31 December 2020: HK\$1,788.7 million) and current liabilities of approximately HK\$699.3 million (31 December 2020: HK\$1,187.2 million). No capital commitments outstanding at 31 December 2021 not provided for in the Group's financial statements (31 December 2020: HK\$3.6 million). The Group also had no other contingent liabilities (31 December 2020: Nil).

Capital Structure

As at 31 December 2021, the Group's gearing ratio was approximately 34.7% (31 December 2020: 50.2%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK\$389.8 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 2021, 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\$761.9 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 2021 is set out below:

| Stock Code | Name of the investees | Percentage of shareholding in investments held by the Group as at | Percentage of the investments to total assets of the Group as at | Fair value of investments as at | Carrying value of investments as at | Fair value gains/(losses) of investments as at | Realised gain/(losses) for the period ended |
|---|---|---|--|---------------------------------|-------------------------------------|--|---|
| | | 31 December 2021 | 31 December 2021 | 31 December 2021 | 31 December 2021 | 31 December 2021 | 31 December 2021 |
| | | | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Equity investments at fair value through other comprehensive income | | | | | | | |
| 412 | China Shandong Hi-Speed Financial Group Limited | 2.34% | 24.69% | 451,394 | 215,710 | 235,684 | 3,986 |
| | Others | N/A | 2.29% | 41,864 | 96,041 | (54,177) | (123,935) |
| | Total | | | <u>493,258</u> | <u>311,751</u> | <u>181,507</u> | <u>(119,949)</u> |
| Equity and fund investments at fair value through profit or loss [#] | | | | | | | |
| | Total | N/A | 5.23% | <u>95,558</u> | <u>203,190</u> | <u>(107,632)</u> | <u>(1,612)</u> |
| Debt investments at fair value through profit or loss * | | | | | | | |
| | Total | N/A | 9.46% | <u>173,035</u> | <u>174,254</u> | <u>(1,219)</u> | <u>325</u> |
| | Grand total | | | <u>761,851</u> | <u>689,195</u> | <u>72,656</u> | <u>(121,236)</u> |

None of the equity and fund investments account for more than 5% of the Group's net assets at the reporting date.

* 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 2021, the China Shandong Hi-Speed Group recorded a total revenue and other income of approximately HK\$553.9 million for the six months ended 30 June 2021. The China Shandong Hi-Speed Group has reported a profit of approximately HK\$115.4 million attributable to owners of China Shandong Hi-Speed. The basic and diluted earnings per share were both HK\$0.48 cents. As at 30 June 2021, the unaudited consolidated net asset of the China Shandong Hi-Speed Group was approximately HK\$9,671.3 million. China Shandong Hi-Speed Group has not declared an interim dividend for the six months ended 30 June 2021.

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 2021, the Group held 564,242,000 shares of China Shandong Hi-Speed. China Shandong Hi-Speed closed at HK\$0.8.

2. Fortune China Bond SP II

Fortune China Bond SP II now mainly invests in the US dollar denominated bonds including the Chengtuo Bond and fixed income securities issued by Chinese institutions. The coupon rate of the bond and fixed income securities range from 0% to 7.8% per annum with maturity period two years.

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 Chengtuo 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 Chengtuo Bonds will rise in the future.

As at 31 December 2021, the Group held 7,363,929 shares of Fortune China Bond SP II representing 55.45% of shares of Fortune China Bond SP II.

Details of Charges on Assets

As at 31 December 2021, the Group had pledged certain listed equity investments of approximately HK\$40.4 million (31 December 2020: HK\$174.2 million) to secure the other borrowings.

Employment, Training and Development

As at 31 December 2021, the Group had a total of 105 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, 25 March 2022

As at the date of this announcement, the Board comprises six executive directors, namely, Mr. Chen Xiaodong, Ms. Chen Jingxian, Mr. Wang Jun, Mr. Yu Qingrui, Ms. Song Caini and Mr. Chen Hongjin; and three independent non-executive directors, namely, Mr. Kwok Chi Kwong, Mr. Wu Ming and Mr. Liu Hongwei.