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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)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Reference is made to the annual report (the “**Annual Report**”) of Central Wealth Group Holdings Limited (the “**Company**”) for the year ended 31 December 2021 and the interim report (the “**Interim Report**”) of the Company for the six months ended 30 June 2022. Capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Report and the Interim Report unless otherwise stated.

The Company would like to provide supplemental information regarding the money lending business of the Group as follows:

As at 31 December 2021, the Group had 17 outstanding loans to individual customers with an aggregate principal amount of approximately HK\$445,611,400 and interest rates ranging from 5% to 7% and 4 outstanding loans to corporate customers with an aggregate principal amount of approximately HK\$79,500,000 and interest rates of 7% (collectively, the “**Outstanding Loans**”). The Company has complied with the relevant requirements set out in Chapter 14 and Chapter 14A of the Listing Rules with regard to the grant and renewal of the Outstanding Loans. The Company does not have any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with a connected person of the Company with respect to the grant of the Outstanding Loans.

Further details of the Outstanding Loans are set out below:

Borrower <i>(Note 1)</i>	Principal amount <i>(HK\$'000)</i>	Interest rate <i>(per annum)</i>	Tenure <i>(months)</i> <i>(Note 2)</i>	Security
Individual customers				
A	10,000	7%	60	Residential and commercial property in Hong Kong
	7,000	7%	60	
	5,000	7%	60	
	50,000	7%	60	
B	4,000	7%	12	Residential property in Hong Kong
	19,700	7%	24	
C	15,000	7%	24	Residential property in PRC
D	16,000	7%	24	Listed securities in Hong Kong
E	75,000	7%	36	Commercial property in PRC
F	75,000	7%	36	Residential and commercial property in PRC
G	75,000	7%	36	Equity interests in unlisted PRC entities
H	8,000	7%	12	Listed securities in Hong Kong
I	15,000	7%	12	–
J	5,000	7%	12	–
K	65,000	7%	36	Residential and commercial property in Hong Kong
L	623.7	5%	12	–
M	287.7	5%	12	–
Corporate customers				
N	50,000	7%	24	–
O	15,000	7%	24	Listed securities in Hong Kong
P	8,000	7%	12	Residential property in Hong Kong
Q	6,500	7%	12	Residential property in Hong Kong
Total				
21	<u>525,111.4</u>			

Notes:

1. The borrowers are independent of the Company and its connected persons.
2. The principal and interest of the loans are repayable upon the maturity date.

The majority of the existing customers were referred by executive Directors of the Company. The executive Directors have good business and social networks and would refer potential customers to Top Billion Finance Limited (“**Top Billion**”) from time to time. However, Top Billion does not rule out walk-in customers so long as they can fulfil the due diligence and relevant credit assessment requirements.

BENCHMARKS FOR CUSTOMERS

Top Billion has the following benchmarks for its customers:

Corporate customers

- No specific requirement that the prospective borrower should be from a particular industry.
- The prospective borrower can have its principal business operation in Hong Kong, China or overseas.
- No minimum amount of revenue/profit required to be generated by the prospective borrower in the last 12 months.
- The prospective borrower should normally have a sufficient amount of assets enough to cover the loan principal when they make the loan application. The assets can be in the form of property, securities, or equity interest in an entity.
- The prospective borrower should have a minimum operation history of three years.
- No litigation or winding up records.

Individual customers

- The prospective borrower should be from the age group of 18 to 65.
- No requirement on the prospective borrower’s occupation or minimum monthly income.
- The prospective borrower should normally have a sufficient amount of assets enough to cover the loan principal when they make the loan application. The assets can be in the form of property, securities, or equity interest in an entity.
- No criminal or bankruptcy records.

CREDIT POLICY AND PROCEDURES

Top Billion has set up a credit committee (the “**Credit Committee**”) which comprises two executive Directors of the Company to monitor the credit policy and procedures of the money lending business.

The executive Directors who are members of the Credit Committee are responsible for overseeing the money lending business. The financial controller of the Company is responsible for working out the preliminary terms of the proposed loan and is engaged in the post-loan monitoring.

Pre-approval due diligence

Top Billion will take reasonable steps to establish the potential customer's true and full identity, financial situation and borrowing objectives. The potential customer will be required to provide further details of its personal and/or corporate background, proof of repayment capabilities, proposed loan amount and repayment method, proof of property ownership (if applicable) and bank account and/or financial portfolio statements. Preliminary verification of background information (bankruptcy check and litigation check) of the potential customers will be performed.

Assessment and loan approval

For material lending transactions which constitute 5% or more of the total assets of the Group, credit review procedures will be conducted in accordance with the standard commercial practices for the purpose of determining the ability of applicants in meeting their financial obligations. Applications must in the first place, satisfy certain credit requirements before being further processed and reviewed by the senior management of Top Billion. Applicants will be required to submit all information necessary for conducting the reviews as requested by Top Billion, which includes but is not limited to updated financial statements, assets and investment portfolios of the customer.

The Credit Committee will review the due diligence results and the loan proposal, together with the supporting documents, and then finalise the loan amount and terms. Loan applications are assessed and approved on a case-by-case basis in accordance with: (i) the background of the applicant and whether the applicant has a satisfactory record or any litigation record; (ii) whether the applicant is a professional or has goodwill in his/her respective business or social circles; (iii) whether the applicant has a good loan repayment or credit record; and (iv) whether the applicant is a repeated customer. If the outcome of the aforesaid background and financial assessment is to the satisfaction of the Credit Committee, a meeting will be arranged between the potential customer, a member of the Credit Committee and/or the financial controller. During the meeting, the financial controller will work out the preliminary terms of the proposed loan.

Apart from the provision of collateral, various other factors such as whether the borrowers are repeated customers, their credibility, the amount of the loan, the tenure of the loan, etc. will also be taken into consideration when assessing the credit risk and determining the loan terms (including interest rates). The lending rate should commensurate with the level of credit risk. The stronger the financial position that the borrower exhibits and/or the better the market conditions, the lower the applicable lending rate. Other factors such as the cost of funds, interest rate charged by competitors, the repayment history and length of business relationship will also be considered. Interest rates are determined with reference to risk factors, tenure of loan, borrowing record and interest rates offered by competitors.

Risk control

In order to safeguard the repayment of loans and minimise default risks, all of the existing customers are either business contacts or referrals from the executive Directors which have either good standings or long-term business relationships with the Group. In this way, the Group can limit its risk exposure.

Loan documentation

If a loan application has been approved, the financial controller will then issue a standard loan agreement with the terms agreed by both parties for the applicant to sign. The applicant should provide his/her identity documentation and address proof to the financial controller for him to prepare the loan agreement.

Loan disbursement

The financial controller will not disburse any funds to the customer until Top Billion is in receipt of the drawdown notice attached to the loan agreement signed by the customer. Funds are usually disbursed by crossed or personal cheques deposited to the customers' designated bank accounts as per his/her drawdown notice. Loan disbursement in cash is not allowed, which not only minimises fraud or theft but also protects the Group from being inadvertently involved in money laundering activities.

Post-loan monitoring

Interim and annual review(s) will be performed by Top Billion. Updated background and financial information of the borrower will be obtained and assessed by the Credit Committee. This helps Top Billion to promptly discover potential problems that may be detrimental to timely repayment and allows Top Billion to adjust collection strategies.

Loan renewal

When considering whether to renew a loan, the Group will take into consideration (i) the repayment or credit record of the borrower; and (ii) the borrower's up-to-date financial strength and background. If the above factors are not satisfactory and/or the Directors are of the view that the risks and benefits are not properly balanced, such loan would not be renewed upon maturity.

Early repayment

Early repayment of the loan is possible if the customer provides not less than one business day's prior written notice. On the date upon which such early repayment is to be made, the customer shall repay the outstanding loan and all other monies outstanding (including accrued interests) thereunder.

Repayment overdue monitoring

The accounts staff will check if each loan repayment is made on schedule. If any repayment is overdue for more than two days, the accounts staff will bring the issue to the attention of the financial controller, and he will make verbal reminders to the relevant customer. In the event repayment is overdue for more than seven days after the verbal reminders, the financial controller will then issue an overdue notice to the customer on record. If repayment remains overdue for more than 14 days, the financial controller may issue further reminders to the customer and/or consider other actions.

Loan collection

The Group monitors the repayment of all loans based on each of the respective repayment dates of each of the individual loans. The Group reserves the right to require the customer to repay the loan and other monies outstanding (including accrued interests) on demand at any time during the term of the loan by giving the customer not less than one business day's prior written notice. On the date upon which such repayment is to be made, the customer shall pay to the Group the outstanding loan and all other monies outstanding (including accrued interests) thereunder.

If the loan could not be collected within a reasonable time thereafter, depending on the specific circumstances of the customer, the Credit Committee will decide on instigating legal action(s) to enforce the Group's rights under the loan. Mediation may also be considered to reach an agreement with the customer on repayment. If the customer fails to perform their obligations under the mediation agreement, the Credit Committee may decide on applying to the court for mandatory enforcement.

In case where all potential means of recovery have been exhausted, the Credit Committee will determine whether to write off the problem loan as a bad loan. All loan write-offs must be approved by the Board of the Company.

FINANCING AND USE OF PROCEEDS

The Group finances its money lending business from brokerage and commission income, disposal of equity and fund investments and placing of shares. The money lending business is not funded by any liabilities. The proposed usage of the loan proceeds is for investment and/or working capital of the Group.

As disclosed in Notes 6 and 33 to the financial statements in the Annual Report, the Group incurred finance costs on certain other borrowings at interest rates ranging from 9% to 12% per annum (the "**Borrowings**"), which amounted to interest payments of approximately HK\$5,483,000 in 2021. The Borrowings were mainly margin loans and were not used to finance the money lending business. Although the interest rates for the Borrowings were higher than that currently charged on borrowers in the money lending business, the Company considers that the respective interest rates were fair and reasonable and in line with the respective market rates for margin loans and money lending in light of, among others, the current market conditions and the value of the collaterals provided.

The Company needs to take a balanced approach and assess the overall benefits and costs to the Group as a whole when managing the budget for different business segments. The Company shall review and adjust the allocation of budget from time to time in order to best utilise its resources and achieve its business goals and strategies in a cost efficient manner, while maintaining stable operation and growth in each of its business segments.

The information contained in this supplemental announcement does not affect other information contained in the Annual Report and the Interim Report. Save as disclosed above, all other information in the Annual Report and the Interim Report remains unchanged.

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

Hong Kong, 16 November 2022

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors

Mr. Chen Xiaodong (*Chairman*)
Ms. Chen Jingxian (*Vice Chairman*)
Mr. Yu Qingrui
Ms. Song Caini
Mr. Chen Hongjin

Independent non-executive Directors

Mr. Kwok Chi Kwong
Mr. Wu Ming
Mr. Liu Hongwei