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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 2022

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 2022 (the “**Period**”) together with comparative figures for the six months ended 30 June 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the six months ended 30 June 2022 (Unaudited) HK\$'000	For the six months ended 30 June 2021 (Unaudited) HK\$'000
	<i>Note</i>	
REVENUE		
Financial investments and services	16,004	44,783
Brokerage and commission income	148,648	66,380
Advisory fee income	25,136	16,156
	189,788	127,319
Brokerage and commission expenses	(93,737)	(82,351)
Gross profit	96,051	44,968

		For the six months ended 30 June 2022 (Unaudited) HK\$'000	For the six months ended 30 June 2021 (Unaudited) HK\$'000
	<i>Note</i>		
Other income and (losses)/gains, net	3	(744)	1,844
Administrative expenses		(80,515)	(80,982)
Equity-settled share option arrangements		(18,024)	(11,880)
Other operating expenses		(2,303)	(3,884)
Finance costs	5	(13,597)	(17,126)
Unrealised fair value loss on equity and fund investments at fair value through profit or loss		(10,866)	(50,600)
Unrealised fair value (losses)/gains on debt investments at fair value through profit or loss		(5,443)	7,196
Credit loss allowances on other financial assets		(21,845)	(25,732)
		<hr/>	<hr/>
LOSS BEFORE TAX	4	(57,286)	(136,196)
Income tax expense	6	–	(2,314)
		<hr/>	<hr/>
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(57,286)</u>	<u>(138,510)</u>
DIVIDENDS	7	<u>–</u>	<u>–</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic and diluted		<u>HK(0.36) cent</u>	<u>HK(0.87) cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June 2022 (Unaudited) HK\$'000	For the six months ended 30 June 2021 (Unaudited) HK\$'000
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(57,286)</u>	<u>(138,510)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(2,078)</u>	<u>654</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	<u>15,960</u>	<u>(1,375)</u>
Other comprehensive income/(loss) for the period attributable to owners of the Company	<u>13,882</u>	<u>(721)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(43,404)</u>	<u>(139,231)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
<i>Notes</i>			
NON-CURRENT ASSETS			
Property, plant and equipment		3,368	4,198
Right-of-use assets		7,294	10,770
Intangible assets		500	500
Equity investments at fair value through other comprehensive income	9	509,636	493,258
Deferred tax assets		110	110
Loan receivables from money lending business	10	353,930	353,930
Finance lease receivables		3,946	3,946
Deposits and prepayment		19,551	37,032
Total non-current assets		898,335	903,744
CURRENT ASSETS			
Loan receivables from money lending business	10	101,845	115,851
Trade receivables from securities and futures dealing business	11	141,070	130,116
Trade receivables from placing and asset management business	12	27,717	45,990
Finance lease receivables		2,426	2,426
Prepayments, deposits and other receivables		110,374	85,545
Equity and fund investments at fair value through profit or loss	13	57,118	95,558
Debt investments at fair value through profit or loss		153,142	173,035
Cash and bank balances		99,668	116,364
Bank balances held on behalf of clients		241,437	159,683
Total current assets		934,797	924,568
CURRENT LIABILITIES			
Trade payables	14	244,313	168,102
Lease liabilities		3,002	4,018
Third party interest in consolidated investment fund		54,286	52,662
Other payables and accruals	15	48,071	84,693
Other borrowings	16	269,795	268,109
Bank borrowings	16	39,500	71,664
Bank overdrafts	16	22,369	–
Note payable		50,000	50,000
Tax payable		–	56
Total current liabilities		731,336	699,304
NET CURRENT ASSETS		203,461	225,264
TOTAL ASSETS LESS CURRENT LIABILITIES		1,101,796	1,129,008

		At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITY			
Lease liabilities		<u>4,767</u>	<u>6,599</u>
Total non-current liability		<u>4,767</u>	<u>6,599</u>
Net assets		<u>1,097,029</u>	<u>1,122,409</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>17</i>	<u>159,697</u>	159,697
Reserves		<u>937,332</u>	<u>962,712</u>
Total equity		<u>1,097,029</u>	<u>1,122,409</u>

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 2021 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

The Group has adopted the following new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these unaudited condensed consolidated interim financial statements.

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to AG 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised)
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 Cycle

The Group concluded that the adoption of these new and revised in the current period has had no material impact on the amounts reported and/or disclosures set out in these unaudited condensed consolidated interim financial statements.

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 2021 are as follows:

For the six months ended 30 June 2022

	Financial investments and services (Unaudited) <i>HK\$'000</i>	Brokerage and commission (Unaudited) <i>HK\$'000</i>	Corporate & others (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:				
External	16,004	148,648	25,136	189,788
Intersegment sales	–	969	1,565	2,534
	<u>16,004</u>	<u>149,617</u>	<u>26,701</u>	<u>192,322</u>
Elimination	–	(969)	(1,565)	(2,534)
Total	<u>16,004</u>	<u>148,648</u>	<u>25,136</u>	<u>189,788</u>
Segment results	<u>(18,810)</u>	<u>(13,397)</u>	<u>(8,887)</u>	<u>(41,094)</u>
<i>Reconciliation:</i>				
Bank interest income				25
Unallocated expenses				(2,620)
Finance costs				(13,597)
				<u>(57,286)</u>
Loss before tax				(57,286)
Income tax expense				–
				<u>(57,286)</u>
Loss for the Period				<u><u>(57,286)</u></u>
Assets and liabilities				
Segment assets	1,277,752	407,588	47,820	1,733,160
<i>Reconciliation:</i>				
Unallocated assets				99,972
				<u>1,833,132</u>
Total assets				<u>1,833,132</u>
Segment liabilities	54,402	268,493	28,773	351,668
<i>Reconciliation:</i>				
Unallocated liabilities				384,435
				<u>736,103</u>
Total liabilities				<u><u>736,103</u></u>

For the six months ended 30 June 2021

	Financial investments and services (Unaudited) <i>HK\$'000</i>	Brokerage and commission (Unaudited) <i>HK\$'000</i>	Corporate & others (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:				
External	45,626	65,537	16,156	127,319
Intersegment sales	–	830	475	1,305
	<hr/>	<hr/>	<hr/>	<hr/>
	45,626	66,367	16,631	128,624
Elimination	–	(830)	(475)	(1,305)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<hr/> 45,626	<hr/> 65,537	<hr/> 16,156	<hr/> 127,319
Segment results	<hr/> (29,645)	<hr/> (67,083)	<hr/> (21,900)	<hr/> (118,628)
<i>Reconciliation:</i>				
Bank interest income				12
Unallocated expenses				(454)
Finance costs				(17,126)
				<hr/>
Loss before tax				(136,196)
Income tax expense				(2,314)
				<hr/>
Loss for the Period				<hr/> <hr/> (138,510)

For the year ended 31 December 2021 (Audited)

Assets and liabilities				
Segment assets	1,320,415	337,488	53,857	1,711,760
<i>Reconciliation:</i>				
Unallocated assets				116,552
				<hr/>
Total assets				<hr/> 1,828,312
Segment liabilities	53,143	220,898	41,922	315,963
<i>Reconciliation:</i>				
Unallocated liabilities				389,940
				<hr/>
Total liabilities				<hr/> <hr/> 705,903

3. REVENUE AND OTHER INCOME AND GAINS OR LOSSES, NET

	For the six months ended 30 June 2022 (Unaudited) HK\$'000	For the six months ended 30 June 2021 (Unaudited) HK\$'000
Revenue		
<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	4,150	5,748
Commission income from placing	128,471	43,616
Performance fee income	1,495	99
Management fee income	23,641	16,057
<i>Revenue from other sources outside the scope of HKFRS 15</i>		
(Losses)/gains on disposal of equity and fund investments at fair value through profit or loss	(3,473)	24,307
Losses on disposal of debt investments at fair value through profit or loss	(1,888)	(7,857)
Dividend income from investment in equity investments	9	1,208
Interest income from money lending business	16,370	20,299
Interest income from securities margin	16,027	17,016
Interest income from debt investments	4,986	6,826
	<u>189,788</u>	<u>127,319</u>
Other income and (losses)/gains, net		
Bank interest income	25	12
Handling fee income	42	56
Third party interest in consolidated investment fund	(3,303)	(898)
Wages subsidies of the Employment Support Scheme	328	–
Rental income	579	890
Others	1,585	1,784
	<u>(744)</u>	<u>1,844</u>

4. LOSS BEFORE TAX

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

	For the six months ended 30 June 2022 (Unaudited) HK\$'000	For the six months ended 30 June 2021 (Unaudited) HK\$'000
Depreciation on property, plant and equipment	816	5,550
Depreciation on right-of-use assets	3,422	12,673
	<u>4,238</u>	<u>18,223</u>

5. FINANCE COSTS

	For the six months ended 30 June 2022 (Unaudited) HK\$'000	For the six months ended 30 June 2021 (Unaudited) HK\$'000
Interest on bank borrowings	509	888
Interest on other borrowings – margin loan	1,858	3,735
Interest on other borrowings – unsecured	8,192	8,192
Interest on bank overdrafts	559	1,701
Interest on notes payable	2,232	2,222
Interest on lease liabilities	241	373
Others	6	15
	<u>13,597</u>	<u>17,126</u>

6. INCOME TAX EXPENSE

	For the six months ended 30 June 2022 (Unaudited) HK\$'000	For the six months ended 30 June 2021 (Unaudited) HK\$'000
Current – Hong Kong Charge for the period	–	2,314
	<u>–</u>	<u>2,314</u>

During the Period, no provision for Hong Kong Profits Tax has been made as the Group has not generated any assessable profits arising in Hong Kong.

Hong Kong Profits Tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months period ended 30 June 2021.

7. DIVIDEND

The Board has resolved not to pay any interim dividend for the Period (2021: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss attributable to owners of the Company for the Period of HK\$57,286,000 (2021: HK\$138,510,000) and the weighted average number of ordinary shares in issue of 15,969,650,461 (2021: 15,969,650,461) during the Period.

No adjustment has been made to the basic loss per share amounts presented for the Period in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

	Number of shares	
	For the period ended 30 June 2022 (Unaudited) '000	For the period ended 30 June 2021 (Unaudited) '000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculations	15,969,650	15,969,650
Share options issued by the Company (<i>Note</i>)	–	502,762
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue during the period used in the diluted loss per share calculations	15,969,650	16,472,412
	<hr/> <hr/>	<hr/> <hr/>

Note: The computation of diluted earnings per share for the period ended 30 June 2022 did not assume the exercise of the Company's outstanding share options since the exercise prices of the share options were higher than the share price of the Company.

9. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
Equity investments at fair value through other comprehensive income		
Listed equity investments, at fair value:	509,636	493,258
	<hr/> <hr/>	<hr/> <hr/>

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 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
Loan receivables	517,181	517,218
Less: credit loss allowances	(61,406)	(47,437)
	<hr/>	<hr/>
Less: non-current portion	455,775 (353,930)	469,781 (353,930)
	<hr/> <hr/>	<hr/> <hr/>
Current portion	101,845	115,851
	<hr/> <hr/>	<hr/> <hr/>

Loan receivables represented loans of approximately HK\$517,181,000 (31 December 2021: HK\$517,218,000) granted by the Group to a number of independent third parties. The loans bore interest at rates ranging from 5% to 7% per annum (31 December 2021: ranging from 5% to 7% per annum) and were repayable within 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\$439,131,000 (31 December 2021: HK\$440,295,000). The carrying amount of the loan receivables approximates their fair values.

11. TRADE RECEIVABLES FROM SECURITIES AND FUTURES DEALING BUSINESS

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Trade receivables arising from the securities and futures dealing business		
– Clearing houses	4,646	–
– Cash clients	18,097	14,267
– Margin clients	417,602	388,581
	<hr/>	<hr/>
	440,345	402,848
Less: credit loss allowances	(299,275)	(272,732)
	<hr/>	<hr/>
	141,070	130,116
	<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\$417,602,000 (31 December 2021: HK\$388,581,000) which bears interest at a range of 6% to 12.25% (31 December 2021: at a range of 6% to 12.25%) per annum and are secured by investments held by cash and margin clients of approximately HK\$1,397,634,000 (31 December 2021: HK\$1,029,010,000) as at 30 June 2022. 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 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
Trade receivables arising from the placing and asset management business		
– Corporate clients	11,945	30,863
– Individual clients	143	241
– Investment funds	<u>32,789</u>	<u>32,789</u>
	44,877	63,893
Less: credit loss allowances	<u>(17,160)</u>	<u>(17,903)</u>
	<u><u>27,717</u></u>	<u><u>45,990</u></u>

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 2022 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 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
Listed securities, mandatorily measured at fair value		
– Equity securities listed in Hong Kong	45,792	65,373
– Equity securities listed in United States	1,599	3,543
Unlisted fund investments, mandatorily measured at fair value		
– Investment fund in the Cayman Islands	895	872
– Investment fund in the PRC	<u>8,832</u>	<u>25,770</u>
	<u><u>57,118</u></u>	<u><u>95,558</u></u>

The above equity and fund investments at 30 June 2022 and 31 December 2021 were classified as fair value through profit or loss as they were held for trading.

14. TRADE PAYABLES

	At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
Trade payables arising from the securities and futures dealing business		
– Clearing houses	420	16,842
– Cash clients	70,574	50,323
– Margin clients	173,319	100,937
	<u>244,313</u>	<u>168,102</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 2022 (Unaudited)			At 31 December 2021 (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>22,369</u>	–	On demand	<u>–</u>
Bank borrowings – secured	2.2 to 2.4	2022	<u>39,500</u>	3.0 to 4.9	2022	<u>71,664</u>
Other borrowings – unsecured	7	On demand	<u>236,000</u>	7	On demand	<u>236,000</u>
Other borrowings – secured	9.0 to 12.0	2022	<u>33,795</u>	9.0 to 12.0	2022	<u>32,109</u>
			<u>269,795</u>			<u>268,109</u>
			<u>331,664</u>			<u>339,773</u>

17. SHARE CAPITAL

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Authorised:		
80,000,000,000 (31 December 2021: 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 2021: 15,969,650,461) ordinary shares of HK\$0.01 each	<u>159,697</u>	<u>159,697</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 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Financial assets				
Equity investments at fair value through other comprehensive income	509,636	493,258	509,636	493,258
Equity and fund investments at fair value through profit or loss	57,118	95,558	57,118	95,558
Debt investments at fair value through profit or loss	153,142	173,035	153,142	173,035
	<u>719,896</u>	<u>761,851</u>	<u>719,896</u>	<u>761,851</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 2022

	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>
Equity investments at fair value through other comprehensive income	509,636	–	–	509,636
Equity and fund investments at fair value through profit or loss	47,391	9,727	–	57,118
Debt investments at fair value through profit or loss	–	153,142	–	153,142
	<u>557,027</u>	<u>162,869</u>	<u>–</u>	<u>719,896</u>

At 31 December 2021

	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>
Equity investments at fair value through other comprehensive income	493,258	–	–	493,258
Equity and fund investments at fair value through profit or loss	68,916	26,642	–	95,558
Debt investments at fair value through profit or loss	–	173,035	–	173,035
	<u>562,174</u>	<u>199,677</u>	<u>–</u>	<u>761,851</u>

During the six months ended 30 June 2022, there were no transfers of fair value measurements between Level 1 and Level 2 (31 December 2021: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

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 2022 (Unaudited) HK\$'000	For the six months ended 30 June 2021 (Unaudited) HK\$'000
Interest income on margin financing from directors arising from securities dealing transactions	251	1,149
Commission income received from directors arising from securities dealing transactions	6	174
	<u>257</u>	<u>1,323</u>

Compensation of key management personnel of the Group:

	For the six months ended 30 June 2022 (Unaudited) HK\$'000	For the six months ended 30 June 2021 (Unaudited) HK\$'000
Salary, allowances and benefits in kind	1,149	1,995
Equity-settled share option expense	3,565	3,616
Retirement scheme contribution	40	41
	<u>4,754</u>	<u>5,652</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 26 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

The Group recorded a revenue of approximately HK\$189.8 million for the six months ended 30 June 2022 (the “**Period**”), compared to a revenue of approximately HK\$127.3 million for the six months ended 30 June 2021. It was mainly attributable to the commission income generated from the provision of Debt Capital Market (“**DCM**”) services of approximately HK\$128.5 million. The net loss before tax for the Period was approximately HK\$57.3 million as compared to the loss before tax of approximately HK\$136.2 million for the six months ended 30 June 2021. The loss was mainly attributable to (i) recognition of unrealized fair value loss on equity and fund investments at fair value through profit or loss of approximately HK\$10.9 million, (ii) recognition of equity-settled share option arrangement of approximately HK\$18.0 million and (iii) credit loss allowances on other financial assets of approximately HK\$21.8 million.

The net loss after tax for the Period was approximately HK\$57.3 million as compared to the net loss after tax of approximately HK\$138.5 million for the six months ended 30 June 2021. Basic loss per share attributable to owners of the Company for the Period was approximately HK0.36 cent (30 June 2021: basic loss per share of approximately HK0.87 cent).

Economy Review

In the first half of 2022, the epidemic situation of Hong Kong underwent drastic changes. The government tightened social distancing measures in January to the most stringent level and announced in February to further tightening of social distancing measures in order to combat the more severe fifth wave. Subsequently, gradual relaxation of social distancing measures is implemented by phases should the epidemic situation of Hong Kong continue to show a downward trend without any sign of rebound.

In Hong Kong, the economy recovered visibly in the first half of 2022. The seasonally adjusted unemployment rate decreased to 5.1% from March to May 2022. However, the economic recovery was uneven and overall economic activity remained below the pre-recession level, as the pandemic, social distancing measures and travel restrictions continued to weigh on certain economic segments.

In line with real economy, the local stock market remained uncertain as investor sentiment remained pessimistic. Global equity had a very weak half-year performance, amid the economic recession and rising inflationary expectations.

New issuance of dollar bonds in Asia in the first half of 2022 fell to its lowest in three-and-a-half years, as rising interest rates and turmoil in China’s property sector spooked investors. US dollar bonds from Chinese issuers traditionally account for half of Asia’s high-yield bond market, the absence of offerings from developers has adversely affected the number of Chinese high-yield bond deals.

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\$4.2 million (30 June 2021: HK\$5.7 million) and the interest income from the securities margin was approximately HK\$16.0 million (30 June 2021: HK\$17.0 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 participated in 26 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\$3,154.9 million as at 30 June 2022. The debts are issued through either private or public offerings with coupon rates ranging from 1.9% to 9.3% per annum. According to the information published on Bloomberg 2022, CWSI ranked as the 43th manager in the issuance of offshore China bonds in the first half of 2022 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\$128.5 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 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 for 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 30 June 2022. 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 2022, the assets under management have reached approximately US\$388.0 million (31 December 2021: US\$787.1 million). The management and performance fee income are approximately HK\$25.1 million during the Period.

Financial Investments and Services

Financial investments and trading

During the Period, the Hang Seng Index starts at 23,510.54 points and closed at 21,859.79 points. Despite the local stock market remained pessimistic, the Group recorded unrealized loss on equity and fund investments at fair value through profit or loss of approximately HK\$10.9 million and an unrealized loss on debt investments at fair value through profit and loss of approximately HK\$5.4 million. During the Period, the interest income from debt investments amounted to approximately HK\$5.0 million.

Money lending business

During the Period, the interest income from the money lending business was approximately HK\$16.4 million. The net balance of loan book recorded a decrease of approximately HK\$14 million to approximately HK\$455.8 million as compared to approximately HK\$469.8 million as at 31 December 2021. 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.

The Chinese medicine clinics business

In light of the pessimistic atmosphere in the global stock market and the challenging environment in the Chinese bond market, the Group has diversified its investment in the Chinese medical clinic sector and has achieved a satisfying result.

On 21 February 2022, Shenzhen Central Wealth Enterprise Consulting Co., Ltd.* (深圳中達企業諮詢有限公司) (“**Shenzhen Central Wealth**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with the shareholder of Youbeiqin (Guangdong) Medical Technology Co., Ltd.* (廣東省友倍親醫藥科技有限公司) (“**Guangdong Youbeiqin**”), namely, Youbeiqin (Shenzhen) Medical Investment Co., Ltd.* (深圳友倍親醫療投資有限公司) (“**Shenzhen Youbeiqin**”). 51% of the equity interests in Guangdong Youbeiqin held by Shenzhen Youbeiqin was acquired by Shenzhen Central Wealth at RMB1 with a total capital contribution of RMB2.55 million.

As at 30 June 2022, the number of Chinese medicine clinics controlled and operated by Guangdong Youbeiqin has increased to 226, with cooperative clinics covering Guangdong, Guangxi, Hubei, Sichuan, Chongqing, Henan Province and other regions of China.

Prospects

The global economy is in a better shape at the start of the second half of 2022, thanks to a combination of mass vaccinations and the flexible fiscal policies from major economies. The government and business units have made continuous adaptation of economic activity to subdued mobility. Economic is more likely to pick up in the second half of the year. China and Hong Kong are expected to benefit further from reopening, strong corporate earnings and performance.

Government downgrades its full-year forecast for economic growth to 1-2 per cent for 2022 from 2-3.5 per cent previously, reflecting the impacts caused by the fifth wave of coronavirus cases. Combined effects of slower global demand, disruptions in cross-border trade and the pandemic took their toll on city, government.

Hong Kong's IPO market slowed down in the first half of 2022. Total funds raised by IPOs in the first half of 2022 are predicted to reach HK\$17.1 billion, marking a decrease of 92% compared to the same period last year. Hong Kong expects the IPO market to gradually regain momentum in the second half of 2022, with the support of a number of policies that are favourable to economic growth.

Chinese bond market is expected to continue seeing defaults especially in the stressed property sector. It is hope that, with the recent policy action by Chinese government, liquidity to be re-transmitted to the market and individual companies.

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 businesses. During the Period, the Group has diversified its investment in the Chinese medical clinic sector. According to the national strategic outline for traditional Chinese medicine issued by the State Council, China will vigorously promote our traditional Chinese medicine and the promotion of traditional Chinese medicine culture will be the trend of the times, which will underpin traditional Chinese medicine industry to be an important pillar of the national economy in future.

Financial Review

The Group for the Period recorded a revenue of approximately HK\$189.8 million as compared to the revenue of approximately HK\$127.3 million last period. The Group's revenue principally comprised the interest income from money lending business of approximately HK\$16.4 million, commission income from provision of DCM services of approximately HK\$128.5 million, commission income from securities and futures dealing of approximately HK\$4.2 million, interest income from securities margin of approximately HK\$16.0 million and interest income from debt investments of approximately HK\$5.0 million.

The Group recorded net other comprehensive income of approximately HK\$13.9 million for the Period (net other comprehensive loss for the six months ended 30 June 2021: approximately HK\$0.7 million). It was mainly attributable to a fair value gain of approximately HK\$16.0 million on equity investments at fair value through other comprehensive income (for the six months ended 30 June 2021: fair value loss of approximately HK\$1.4 million). As at 30 June 2022, the Group's net asset value was approximately HK\$1,097.0 million (31 December 2021: HK\$1,122.4 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 2022 were approximately HK\$99.7 million (31 December 2021: HK\$116.4 million).

As at 30 June 2022, the Group had bank overdrafts of approximately HK\$22.4 million (31 December 2021: Nil), interest-bearing bank borrowings of approximately HK\$39.5 million (31 December 2021: HK\$71.7 million), interest-bearing other borrowings of approximately HK\$269.8 million (31 December 2021: HK\$268.1 million) and senior notes payable of approximately HK\$50 million (31 December 2021: HK\$50 million).

As at 30 June 2022, the Group's current ratio was approximately 1.28 times (31 December 2021: 1.32 times) based on current assets of approximately HK\$934.8 million (31 December 2021: HK\$924.6 million) and current liabilities of approximately HK\$731.3 million (31 December 2021: HK\$699.3 million). As at 30 June 2022, the Group has no capital commitment (31 December 2021: Nil). The Group also had no other contingent liabilities (31 December 2021: Nil).

Capital Structure

As at 30 June 2022, the Group's gearing ratio was approximately 34.8% (31 December 2021: 34.7%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK\$381.7 million includes bank and other borrowings, bank overdraft and senior 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 2022 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\$719.9 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 portfolio of equity investments, fund investments and debt investments as at 30 June 2022 are set out as follows:

Stock Code	Name of the investees	Percentage of shareholding in investments held by the Group as at 30 June 2022	Percentage of the investments to total assets of the Group as at 30 June 2022	Fair value of investments as at 30 June 2022 HK\$'000	Carrying amount of investments as at 30 June 2022 HK\$'000	Fair value gains/ (losses) of investments as at 30 June 2022 HK\$'000	Realised gain/ (losses) for the period ended 30 June 2022 HK\$'000
Equity investments at fair value through other comprehensive income							
412	China Shandong Hi-Speed Financial Group Limited (Note 1)	2.34%	26.78%	490,890	215,710	275,180	-
	Others	N/A	1.02%	18,746	92,234	(73,488)	(3,608)
	Total			<u>509,636</u>	<u>307,944</u>	<u>201,692</u>	<u>(3,608)</u>
Equity and fund investments at fair value through profit or loss #							
	Total	N/A	3.12%	<u>57,118</u>	<u>67,984</u>	<u>(10,866)</u>	<u>-</u>
Debt investments at fair value through profit or loss *							
	Total (Note 2)	N/A	8.35%	<u>153,142</u>	<u>158,585</u>	<u>(5,443)</u>	<u>(1,685)</u>
	Grand total			<u><u>719,896</u></u>	<u><u>534,513</u></u>	<u><u>185,383</u></u>	<u><u>(5,293)</u></u>

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

* None of the individual 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 various kinds of financial services, including standard investment business, non-standard investment business, industrial investment, the provision of licensed financial services, financial leasing and financial technology.

As mentioned on its annual report for the year ended 31 December 2021, the China Shandong Hi-Speed Group recorded a total revenue and other income of approximately HK\$1,090.7 million for the year ended 31 December 2021. The China Shandong Hi-Speed Group has reported a net profit for the year of approximately HK\$11.1 million. The basic and diluted loss per share were both HK1.31 cents. As at 31 December 2021, the audited consolidated net asset of the China Shandong Hi-Speed Group was approximately HK\$8,612.5 million. China Shandong Hi-Speed Group has not declared any dividend for the year ended 31 December 2021.

China Shandong Hi-Speed Group 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. Moreover, with the strong support of its controlling shareholder, Shandong Hi-Speed Group Co., Ltd, its market credibility and reputation have been significantly enhanced, strengthening its competitive advantage.

The Company has confidence that China Shandong Hi-Speed Group can further improve its asset-liability structure and the stability of probability. 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 interest of the Group or where the term on which such realization to be particularly favorable to the Group.

As at 30 June 2022, the Group held 141,060,500 consolidated shares of China Shandong Hi-Speed. China Shandong Hi-Speed closed at HK\$3.48 as at 30 June 2022.

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 as at 30 June 2022 are 7.8% per annum with maturity periods of one to 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 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 Renminbi 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 2022, the Group held 7,363.3929 shares of Fortune China Bond SP II representing 56.2% of shares of Fortune China Bond SP II.

Details of Charges on Assets

As at 30 June 2022, the Group had pledged certain listed equity investments of approximately HK\$17.6 million (31 December 2021: HK\$40.4 million) to secure the other borrowings. The Group had pledged listed equity investments held by certain margin clients of approximately HK\$144.1 million to secure the bank overdraft and bank borrowings (31 December 2021: HK\$143.4 million).

Employment, Training and Development

As at 30 June 2022, the Group had a total of 128 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 2021.

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, 26 August 2022

As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Chen Xiaodong, Ms. Chen Jingxian, 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.

* for identification purpose only