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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 2019

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 2019 (the “**Year**”) together with comparative figures for the previous period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
REVENUE			
Financial investments and services		26,146	17,282
Brokerage and commission income		841,798	150,130
Property investment		1,350	6,650
Advisory fee income		78,450	392
	4	947,744	174,454
Brokerage and commission expenses		(405,065)	(4,051)
Gross profit		542,679	170,403

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)*For the year ended 31 December 2019*

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
Other income and (losses) or gains, net	4	(7,179)	5,147
Administrative expenses		(213,559)	(152,921)
Other operating expenses		(5,962)	(5,200)
Finance costs	5	(60,561)	(64,407)
Unrealised fair value losses on equity investments at fair value through profit or loss, net		(4,805)	–
Unrealised fair value gains on debt investments at fair value through profit or loss, net		19,753	–
Credit loss allowances on other financial assets		(89,651)	(17,348)
(Loss)/gain on revaluation of investment property	10	(45,000)	5,000
Gain on deemed disposal of an associate	11	105,739	–
Gain on disposal of a subsidiary		–	65,620
Provision for impairment loss on investment in an associate		–	(51,257)
Share of profit/(loss) of an associate		7,065	(13,912)
		<hr/>	<hr/>
PROFIT/(LOSS) BEFORE INCOME TAX	6	248,519	(58,875)
Income tax expense	7	(40,132)	(8,186)
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE YEAR			
ATTRIBUTABLE TO OWNERS OF THE COMPANY		208,387	(67,061)
		<hr/>	<hr/>
DIVIDENDS	8	–	–
		<hr/>	<hr/>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	9	HK1.42 cents	HK(0.48) cent
		<hr/>	<hr/>
Diluted	9	HK1.41 cents	HK(0.48) cent
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>208,387</u>	<u>(67,061)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(1,075)</u>	<u>(71)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments at fair value through other comprehensive income:		
Changes in fair value, net of tax	(901,061)	(943,780)
Share of other comprehensive loss of an associate	(6,711)	(108,738)
Release of fair value reserve upon partial disposal of an associate	<u>–</u>	<u>407</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(907,772)</u>	<u>(1,052,111)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>(700,460)</u></u>	<u><u>(1,119,243)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		15,466	4,104
Investment property	<i>10</i>	390,000	435,000
Right-of-use assets		21,632	–
Intangible assets		500	500
Investment in an associate	<i>11</i>	–	225,194
Equity investments at fair value through other comprehensive income	<i>12</i>	506,650	1,296,154
Deferred tax assets		4,391	2,734
Loan receivables from money lending business	<i>13</i>	89,805	–
Deposits and prepayment		30,847	12,799
		<hr/>	<hr/>
Total non-current assets		1,059,291	1,976,485
CURRENT ASSETS			
Loan receivables from money lending business	<i>13</i>	356,657	299,497
Trade receivables from securities and futures dealing business	<i>14</i>	412,344	395,294
Trade receivables from placing and asset management business	<i>15</i>	52,265	6,294
Prepayments, deposits and other receivables		91,999	21,432
Equity and fund investments at fair value through profit or loss	<i>16</i>	115,505	21
Debts investments at fair value through profit or loss		168,530	–
Cash and bank balances		99,219	100,910
Bank balances held on behalf of clients		71,352	90,966
		<hr/>	<hr/>
Total current assets		1,367,871	914,414
CURRENT LIABILITIES			
Trade payables	<i>17</i>	74,108	99,486
Lease liabilities		20,010	–
Third party interest in consolidated investment fund		109,599	–
Other payables and accruals	<i>18</i>	63,497	35,225
Other borrowings	<i>19</i>	429,854	472,178
Bank borrowings	<i>19</i>	113,057	142,298
Bank overdrafts	<i>19</i>	117,103	45,095
Tax payable		39,715	4,859
		<hr/>	<hr/>
Total current liabilities		966,943	799,141

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2019*

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
NET CURRENT ASSETS		400,928	115,273
TOTAL ASSETS LESS CURRENT LIABILITIES		1,460,219	2,091,758
NON-CURRENT LIABILITIES			
Notes payable		86,574	86,574
Bank borrowings	<i>19</i>	148,283	156,362
Lease liabilities		5,142	–
Deferred tax liabilities		4,873	–
Total non-current liabilities		244,872	242,936
Net assets		1,215,347	1,848,822
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>20</i>	147,197	147,167
Reserves		1,068,150	1,701,655
Total equity		1,215,347	1,848,822

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.

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) Application of new and revised HKFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2019, the Group has applied, for the first time, the following new and revised standards issued by the HKICPA.

HKFRS 16	<i>Leases</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>

Except as described below, 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.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and enquires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has applied HKFRS 16 for the first time in the current year. The Group has applied HKFRS 16 using the modified retrospective method of application with the date of initial application being 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

Definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed, i.e. the Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4. Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application and the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has applied, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

The Group being a lessee regarding leases previously classified as operating leases

Nature of the effect of application of HKFRS 16

The Group has entered into lease contracts for various office properties and staff quarters. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Based on the specific transitional provisions available under HKFRS 16, lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the applicable lessee's incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has elected to apply the following practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application; and
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

The impacts arising from the application of HKFRS 16 as at 1 January 2019 are as follows:

	Carrying amounts previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
Non-current assets			
Right-of-use assets	–	19,764	19,764
Current Liabilities			
Lease liabilities	–	(14,460)	(14,460)
Accrual	(12,847)	736	(12,111)
Non-current liabilities			
Lease liabilities	–	(6,040)	(6,040)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	At 1 January 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	22,726
Lease liabilities discounted at relevant incremental borrowing rates	22,604
Less: Early termination of lease	(925)
Practical expedient – leases with lease term ending within 12 months from the date of initial application	(1,179)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	20,500
Analysed as	
Current	14,460
Non-current	6,040
	20,500

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 3.80% to 5.95% per annum.

(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 2019. 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	1 January 2021
Amendments to HKFRS 3	Definition of a Business	1 January 2020 [^]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

* On 1 January 2016, the HKICPA issued “Effective Date of Amendments to HKFRS 10 and HKAS 28”, following the International Accounting Standards Board’s equivalent amendments. This update defers/removes the effective date of the amendments in “Sale or Contribution of Assets between an Investor or its Associate or Joint Venture” that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

[^] The HKICPA will start using the revised Conceptual Framework immediately when revising or developing Standards or Accounting Guidelines. The revised Conceptual Framework has an effective date 1 January 2020 for companies that use the Conceptual Framework to develop accounting policies when no Standards or Accounting Guidelines applies to a particular transaction.

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.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020 and is currently assessing the impact upon application.

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/loss, which is measured consistently with the Group's profit/loss before tax except that bank interest income, gain on disposal of a subsidiary, impairment loss on investment in an associate, shares of profit/loss 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 2019

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

For the year ended 31 December 2018

	Financial investments and services <i>HK\$'000</i>	Brokerage and commission <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:					
External	17,282	150,130	6,650	392	174,454
Intersegment sales	–	7,267	–	–	7,267
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	17,282	157,397	6,650	392	181,721
Elimination	–	(7,267)	–	–	(7,267)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>17,282</u>	<u>150,130</u>	<u>6,650</u>	<u>392</u>	<u>174,454</u>
Segment results	<u>2,859</u>	<u>56,165</u>	<u>11,190</u>	<u>(62,481)</u>	7,733
<i>Reconciliation:</i>					
Bank interest income					12
Gain on disposal of a subsidiary					65,620
Impairment loss on investment in an associate					(51,257)
Unallocated expenses					(2,664)
Finance costs					(64,407)
Share of loss of an associate					(13,912)
					<hr/>
Loss before income tax					(58,875)
Income tax expense					(8,186)
					<hr/>
Loss for the year					<u>(67,061)</u>
Assets and liabilities					
Segment assets	1,612,101	503,780	435,057	10,985	2,561,923
<i>Reconciliation:</i>					
Unallocated assets					328,976
					<hr/>
Total assets					<u>2,890,899</u>
Segment liabilities	2,420	117,464	1,639	13,102	134,625
<i>Reconciliation:</i>					
Unallocated liabilities					907,452
					<hr/>
Total liabilities					<u>1,042,077</u>

Other segment information

For the year ended 31 December 2019

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

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

For the year ended 31 December 2018

	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	–	495	31	1,492	2,018
Credit loss allowances on loan receivables from money lending business, net	1,297	–	–	–	1,297
Credit loss allowances on trade receivables from securities and futures dealing business, net	–	6,219	–	–	6,219
Credit loss allowances on trade receivables from placing and asset management business, net	–	649	–	2	651
Credit loss allowances on financial assets included in prepayments, deposits and other receivables, net	9,181	–	–	–	9,181
Share of loss of an associate	–	–	–	13,912	13,912
Gain on revaluation of investment property	–	–	(5,000)	–	(5,000)
Gain on disposal of items on property, plant and equipment	–	–	–	(6)	(6)
Capital expenditure*	–	1,151	–	39	1,190

* 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 2019 and 2018, and certain non-current assets information as at 31 December 2019 and 2018, by geographical region.

	Hong Kong		PRC		Total	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from external customers	<u>885,533</u>	<u>174,454</u>	<u>62,211</u>	<u>–</u>	<u>947,744</u>	<u>174,454</u>
Non-current assets	<u>1,044,213</u>	<u>1,976,485</u>	<u>15,078</u>	<u>–</u>	<u>1,059,291</u>	<u>1,976,485</u>
Non-current assets*	<u>412,773</u>	<u>664,798</u>	<u>14,825</u>	<u>–</u>	<u>427,598</u>	<u>664,798</u>

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

Information about major customers and suppliers

The aggregate revenue during the year attributable to the Group's five largest customers was 68.04% (2018: Nil) of the Group's total revenue, of which 37.07% (2018: Nil) was made to the largest customer.

There was no single supplier that contributed to 10% or more of the Group's total purchase during the year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, 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) OR GAINS, NET

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<u>Revenue</u>		
<i>Revenue from contracts with customers within the scope of HKFRS 15 recognised at a point in time</i>		
Commission income from securities and futures dealing	9,690	21,015
Commission income from placing	790,589	97,737
Performance fee income	3,664	–
Management fee income	74,786	392
<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	(25,585)	(14,357)
Gain on disposal of debt investments at fair value through profit or loss	142	–
Dividend income from investment in listed equity securities	7,523	–
Interest income from money lending business	36,982	31,639
Interest income from securities margin	41,519	31,378
Interest income from debt investments	7,084	–
Property rental income	1,350	6,650
	<u>947,744</u>	<u>174,454</u>

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<u>Other income and (losses) or gains, net</u>		
Gain on disposal of items of property, plant and equipment	–	6
Bank interest income	352	12
Handling fee income	3,773	4,196
Change in third party interest in consolidated investment fund*	(13,844)	–
Others	2,540	933
	<u> </u>	<u> </u>
	(7,179)	5,147
	<u> </u>	<u> </u>

* This amount represented the net change in net asset value of consolidated investment fund attributable to third-party shareholders.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank borrowings	8,726	11,749
Interest on other borrowings	42,489	45,474
Interest on bank overdrafts	3,258	2,779
Interest on notes payable	4,431	4,395
Interest on lease liabilities	1,130	–
Others	527	10
	<u> </u>	<u> </u>
	60,561	64,407
	<u> </u>	<u> </u>

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Depreciation		
Right-of-use assets	20,303	–
Property, plant and equipment	3,710	2,018
	<u>24,013</u>	<u>2,018</u>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	186,694	42,290
Equity-settled share option arrangements, net	66,809	44,918
Retirement benefit scheme contributions	2,224	1,315
	<u>255,727</u>	<u>88,523</u>
Minimum lease payments under operating leases	1,454*	16,577
Auditor's remuneration	1,774	3,480
Credit loss allowances losses on loan receivables from money lending business, net	18,284	1,297
Credit loss allowances on trade receivable from securities and futures dealing business, net	79,374	6,219
(Reversal of)/provision of credit loss allowances on trade receivable from placing and asset management business, net	(412)	651
(Reversal of)/provision of credit loss allowances on financial assets included in prepayments, deposits and other receivables, net	(7,595)	9,181
Write off of property, plant and equipment	9	–
Gain on disposal of items of property, plant and equipment	–	(6)
Loss/(gain) on revaluation of investment property	45,000	(5,000)
Foreign exchange differences, net	2,479	393
	<u><u>2,479</u></u>	<u><u>393</u></u>

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

At 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2018: Nil).

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in People's Republic of China ("PRC") in the current year have been calculated at the rates of tax prevailing in PRC in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2019 HK\$'000	2018 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	28,511	11,041
Overprovision in prior years	–	(42)
Current – PRC		
Charge for the year	8,405	–
Deferred	3,216	(2,813)
	<hr/>	<hr/>
Income tax expense	40,132	8,186
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDENDS

The directors of the Company do not recommend the payment of any final dividend for the year (2018: Nil).

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

The calculation of the basic earnings per share (2018: basic loss per share) amount is based on the profit for the year attributable to owners of the Company of HK\$208,387,000 (2018: loss of HK\$67,061,000), and the weighted average number of ordinary shares in issue of 14,718,040,000 (2018: 13,856,376,000).

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

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2018 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:

	2019 HK\$'000	2018 <i>HK\$'000</i>
Profit/(loss) for the year attributable to owners of the Company, used in the basic and diluted earnings/(loss) per share calculations	208,387	(67,061)
	<hr/> <hr/>	<hr/> <hr/>

	Number of shares	
	2019 <i>'000</i>	2018 <i>'000</i>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculations	14,718,040	13,856,376
Share options issued by the Company	79,992	–
	<u>14,798,032</u>	<u>13,856,376</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculations	<u>14,798,032</u>	<u>13,856,376</u>

10. INVESTMENT PROPERTY

Investment property

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Carrying amount at 1 January	435,000	430,000
(Loss)/gain from a fair value adjustment	(45,000)	5,000
	<u>390,000</u>	<u>435,000</u>
Carrying amount at 31 December	<u>390,000</u>	<u>435,000</u>

The Group held one investment property as at 31 December 2019 and 2018 which is located at No.2 Lincoln Road in Kowloon.

The Group's investment property was revalued on 31 December 2019 and 2018 based on valuation performed by Ascent Partners Valuation Service Limited, an independent professionally qualified valuer. Each year, the Group's management and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's financial controller have discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 December 2019 and 2018, the Group's investment property was pledged to secure general banking facilities granted to the Group.

11. INVESTMENT IN AN ASSOCIATE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Share of net assets	–	225,194
Goodwill on acquisition	–	51,257
	<u>–</u>	<u>276,451</u>
Provision for impairment	–	(51,257)
	<u>–</u>	<u>225,194</u>

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activities
Future World Financial Holdings Limited* ("FWF")	Ordinary shares HK\$0.001 each	Cayman Islands	18.70%	Investment in and trading of securities, provision of financing services and property investment

* Listed on the Main Board of the Hong Kong Stock Exchange

The associate is accounted for using the equity method.

On 13 March 2019, three new executive directors of FWF were appointed to the board of directors of FWF. As a result, the voting rights in the board of directors of FWF held by the Group via the remaining common director was decreased to approximately 14.29%. The directors of the Company assessed and concluded that the Group no longer had significant influence over FWF since 13 March 2019 and the 18.70% equity interests in FWF were therefore reclassified from investment in an associate to financial asset at fair value through other comprehensive income as the Group intended to hold the equity interest in FWF for long-term purpose since 2017. The investment in an associate as at 13 March 2019 was derecognised and the fair value of the equity interests in FWF, being calculated based on the market share prices of FWF on 13 March 2019, in total approximately HK\$331,287,000 was recognised and designated as financial asset at fair value through other comprehensive income. Gain on deemed disposal of an associate of approximately HK\$105,739,000 was charged to the consolidated statement of profit or loss during the year.

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Equity securities listed in Hong Kong, at fair value	<u>506,650</u>	<u>1,296,154</u>

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

During the year, the Group received the amount of approximately HK\$7,001,000 (2018: Nil) dividend from these investments.

At 31 December 2019, the Group's equity investments at fair value through other comprehensive income, with carrying amount of approximately HK\$499,622,000 (2018: HK\$1,276,397,000), have been pledged to secure the other borrowings granted to the Group (Note 19 (c)).

13. LOAN RECEIVABLES FROM MONEY LENDING BUSINESS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loan receivables	466,520	301,271
Less: credit loss allowances	<u>(20,058)</u>	<u>(1,774)</u>
	446,462	299,497
Less: non-current portion	<u>(89,805)</u>	<u>–</u>
Current portion	<u><u>356,657</u></u>	<u><u>299,497</u></u>

As at 31 December 2019, the gross amount loan receivables represented loans of HK\$466,520,000 (2018: HK\$301,271,000) granted by the Group to a number of independent third parties. The loans bore interest at rates ranging from 5% to 12% (2018: 5% to 12%) per annum and were repayable within two years from the date of drawdown (2018: one year 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\$147,211,000 (2018: Nil) were past due and approximately HK\$319,309,000 (2018: HK\$301,271,000) were not past due for which there was no recent history of default.

The Group holds collateral or other credit enhancement over its loan receivables balance of approximately HK\$353,545,000 (2018: HK\$179,485,000), including charge of properties located in Hong Kong and the PRC, listed securities in Hong Kong, equity interest of an unlisted entity in Hong Kong and note receivable of the borrower. The carrying amount of the loan receivables approximates their fair values.

14. TRADE RECEIVABLES FROM SECURITIES AND FUTURES DEALING BUSINESS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables arising from the securities and futures dealing business		
– Clearing houses	–	2,833
– Cash clients	64,186	18,819
– Margin clients	433,985	379,993
– Brokers	<u>100</u>	<u>202</u>
	498,271	401,847
Less: credit loss allowances	<u>(85,927)</u>	<u>(6,553)</u>
	<u><u>412,344</u></u>	<u><u>395,294</u></u>

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

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

Trade receivables are unsecured, interest free and repayable on the settlement date of the relevant trades, except for the receivables from margin clients of approximately HK\$433,985,000 (2018: HK\$379,993,000) which bear interest at a range of 6% to 12.25% (2018: 7% to 12.35%) per annum and are secured by investments held by margin clients of approximately HK\$648,255,000 (2018: HK\$705,157,000). 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.

15. TRADE RECEIVABLES FROM PLACING AND ASSET MANAGEMENT BUSINESS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables arising from the placing and asset management business		
– Corporate clients	45,979	6,553
– Investment funds	6,525	392
	<u>52,504</u>	<u>6,945</u>
Less: credit loss allowances	(239)	(651)
	<u><u>52,265</u></u>	<u><u>6,294</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 31 December 2019 were considered not to be credit impaired as the credit rating and reputation of the trade counterparty are sound.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Listed securities, mandatorily measured at fair value		
Equity securities listed in Hong Kong	38,432	21
Unlisted fund investment, mandatorily measured at fair value		
Investment fund in the Cayman Island	48,417	–
Investment funds in the PRC	28,656	–
	<u><u>115,505</u></u>	<u><u>21</u></u>

At 31 December 2019, the Group's equity investments at fair value through profit or loss, with carrying amount of approximately HK\$6,022,000 (2018: Nil), have been pledged to secure the other borrowings granted to the Group (Note 19 (c)).

17. TRADE PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables arising from the business of trading and distribution of electronic and accessory products	<u>502</u>	<u>502</u>
Trade payables arising from the securities and futures dealing business		
– Clearing houses	5,474	6,188
– Cash clients	16,670	41,444
– Margin clients	<u>51,462</u>	<u>51,352</u>
	<u><u>74,108</u></u>	<u><u>99,486</u></u>

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

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

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

18. 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.

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

	2019			2018		
	Effective interest rate per annum (%)	Maturity	HK\$'000	Effective interest rate per annum (%)	Maturity	HK\$'000
Current						
Bank overdrafts – secured	4.75 to 5.25	On demand	117,103	4.9 to 5.25	On demand	45,095
Bank borrowings – secured	3.0 to 4.9	2020	105,000	2.2 to 3.7	2019	134,500
Current portion of mortgage bank borrowings – secured	3.3 to 3.5	2020	8,057	3.2 to 3.6	2019	7,798
			<u>113,057</u>			<u>142,298</u>
Other borrowings – unsecured	8.0	On demand	215,000	8.0	On demand	172,000
Other borrowings – secured	8.3 to 14.1	2020	214,854	7.3 to 13.1	2019	300,178
			<u>429,854</u>			<u>472,178</u>
			<u>660,014</u>			<u>659,571</u>
Non-current						
Mortgage bank borrowings – secured	3.3 to 3.5	2021 – 2037	148,283	3.2 to 3.6	2020 – 2037	156,362
			<u>808,297</u>			<u>815,933</u>

Notes:

- (a) The Group's overdraft facilities amounting to HK\$175,000,000 (2018: HK\$175,000,000), of which approximately HK\$117,103,000 (2018: HK\$45,095,000) had been utilised as at the end of the reporting period.
- (b) The Group's bank overdrafts and certain of the Group's bank borrowings included above are secured by:
- i. mortgages over the Group's investment property situated in Hong Kong, which had a carrying value at the end of the reporting period of HK\$390,000,000 (2018: HK\$435,000,000).
 - ii. listed securities pledged to the Group held by certain margin clients with an aggregate amount of approximately HK\$220,439,000 (2018: HK\$197,595,000).

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

Stock code	Accounting classification	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0388	Equity investments at fair value through profit or loss	5,060	–
1323	Equity investments at fair value through profit or loss	962	–
1004	Equity investments at fair value through other comprehensive income	1,244	–
0572	Equity investments at fair value through other comprehensive income	22,630	–
1141	Equity investments at fair value through other comprehensive income	475,748	1,276,397
		505,644	1,276,397

- (d) Other borrowings – unsecured are repayable on demand to Globally Finance Limited, a subsidiary of FWF.
- (e) Current portion of bank borrowings and other borrowings are maturing within one year. The carrying amounts of these loans approximate to their fair values due to the short term maturities floating interest rates.
- (f) Mortgaged bank borrowings bear floating rates with reference to HIBOR and Prime Rate. The carrying amounts of these loans approximate their fair values.

20. SHARE CAPITAL

Shares

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Authorised:		
80,000,000,000 (2018: 80,000,000,000) ordinary shares of HK\$0.01 each	800,000	800,000
Issued and fully paid:		
14,719,650,461 (2018: 14,716,650,461) ordinary shares of HK\$0.01 each	147,197	147,167

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

	<i>Notes</i>	Number of shares in issue	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018		12,716,650,461	127,167	4,491,489	4,618,656
Issue of new shares	<i>(i)</i>	<u>2,000,000,000</u>	<u>20,000</u>	<u>180,000</u>	<u>200,000</u>
At 31 December 2018 and 1 January 2019		14,716,650,461	147,167	4,671,489	4,818,656
Exercise of share options	<i>(ii)</i>	<u>3,000,000</u>	<u>30</u>	<u>215</u>	<u>245</u>
At 31 December 2019		<u>14,719,650,461</u>	<u>147,197</u>	<u>4,671,704</u>	<u>4,818,901</u>

Notes:

- (i) During the year ended 31 December 2018, the Group placed a total of 2,000,000,000 shares at HK\$0.1 per share representing 15.73% of its total issued capital at that time. The proceeds from the placing of approximately HK\$200,000,000 was used for the repayment of loan.
- (ii) During the year ended 31 December 2019, 3,000,000 share options were exercised.

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Disposal of a subsidiary

On 20 March 2020, the Group entered into a sale and purchase agreement with an independent third party, to dispose of the entire issued shares capital of Metro Victor Limited ("Metro Victor"), a wholly-owned subsidiary of the Group, and all the shareholders' loans advanced to Metro Victor, at a cash consideration of HK\$380,000,000.

Up to the date of this annual results announcement, the disposal was not completed. Further details of the disposal are set out in the Company's announcements dated 4 February 2020, 12 February 2020, 28 February 2020, 19 March 2020 and 23 March 2020.

(b) Assessment of the impact of the novel coronavirus

Due to the outbreak of the novel coronavirus (COVID-19) epidemic in China in January 2020 and the COVID-19 has spread across the world, the macroeconomic is expected to be affected by epidemic in 2020. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this annual results announcement, the assessment is still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

The Group recorded a revenue of approximately HK\$947.7 million for the year ended 31 December 2019 (the “**Year**”), compared to a revenue of approximately HK\$174.5 million for the year ended 31 December 2018. It was mainly attributable to the commission income generated from the provision of Debt Capital Market (the “**DCM**”) services of approximately HK\$790.6 million. The net profit before tax for the Year was approximately HK\$248.5 million as compared to the net loss before tax of approximately HK\$58.9 million for the year ended 31 December 2018. The significant increase in revenue and net profit before tax for the Year was mainly attributable to the outstanding performance in the provision of DCM services.

The net profit after tax for the Year was approximately HK\$208.4 million as compared to the net loss after tax of approximately HK\$67.1 million for the year ended 31 December 2018. Basic earnings per share attributable to ordinary equity holders of the parent for the Year was approximately HK1.42 cents (31 December 2018: basic loss per share of approximately HK0.48 cent).

Economy Review

The global economy had a weak start in 2019 due to US-China trade tensions. During the Year, US-China trade tensions have escalated again, as the US has raised the rate of additional tariffs on billion worth of imports from China and indicated its intention to further extend the scope of these tariffs. US also banned Huawei and other Chinese enterprises from purchasing from US companies. China has also announced countermeasures. Lately, the situation has a sign of improvement as the US has signed first phase of US-China trade deal with China and talks on second phase of US-China trade deal have begun.

The Hong Kong economy contracted in 2019. Total exports of goods registered an enlarged decline, whereas exports of services deteriorated sharply as inbound tourism suffered severely from the local social incidents. Domestic demand also worsened significantly. The value of merchandise exports recorded a decline in 2019. Exports to the major advanced economies stayed weak. In contrast to the performance of the real economy, the local stock market rebounded as investor sentiment improved. This is mainly attributable to the receding concerns about further US interest rate hikes.

Regarding the China’s bond market on which our business focus, the scale of issuance and the demand for the offshore US dollar denominated bonds rose. Due to the weak performance of the global economy, high yield bonds are attractive to investors, especially the bonds issued by the local government financing vehicle (the “**Chengtou Bonds**”) since they carry high yield with credit from the Chinese local government. Also, the domestic debt will be at the peak of repayment in the coming few years. It is likely that more companies will choose the offshore market financing in future.

BUSINESS REVIEW

In 2017, we saw opportunities and potentials in the China's bond market especially the Chengtou Bonds market. We have transformed opportunities into sustainable progress through our continuing effort and the competence of our professional team. During the Year, the issue size of the DCM projects we participated and the income generated from the DCM business have been soaring. Our DCM business is getting on track.

In 2018, we have obtained type 4 (advising on securities) and type 9 (asset management) regulated activities licenses under the Securities and Futures Ordinance to further expand our business to asset management. In future, we would continue to obtain other relevant financial license(s) in order to provide more comprehensive services to our clients.

During the Year, Bloomberg added Chinese Renminbi denominated government and policy bank securities to the Bloomberg Barclays Global Aggregate Index. The addition of these securities will be phased in over a 20-month period starting April 2019. In 2020, J.P. Morgan Chase & Co. begins to include Chinese government bonds in its Global Bond Index-Emerging Markets Global Diversified benchmark index.

We can see that China is winning more recognitions from global bond investors. We will further expand our business by leveraging our strength in linking China and other Asian countries with the global financial market through facilitating the development of the DCM.

Brokerage and Placing Commission

Brokerage & margin financing

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

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

Debt capital market business

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

The Group through CWSI has been providing DCM services to support debt financing need of China domiciled companies since July 2017. During the Year, the Group has participated in 45 debt issues with roles of joint global coordinator, joint book-runner, joint lead manager or placing agent with an aggregate issue size of approximately US\$9.8 billion. The debts are issued through either private or public offerings with coupon rates ranging from 3% to 11.25% per annum. According to the information published on Bloomberg as of 25 March 2020, CWSI ranked as the 39th manager in the issuance of offshore China bonds in 2019 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\$790.6 million. The Group will continue to strengthen our services in the coming year 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 provides investment management services on diversified and comprehensive investment products including private funds and discretionary accounts to individual, corporate and institutional clients. Currently, our investment fund, namely the Central Wealth Investment Fund SPC (“CWIF”), mainly focus on the China’s bond market as it is the third largest bond market in the world and offers attractive yield opportunities. It is expected that the market will continue to grow and transform with the global economy. The Group believes it will become more capital market oriented and open to foreign investors. Besides, CWAM also served as an investment advisor for clients providing advice on equity funds, 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 seven segregated portfolios as at 31 December 2019. 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 mainly invest in offshore US dollar denominated bonds issued by Chinese institutions. The portfolios start to invest in onshore CNY corporate bonds as well. The investment manager will continue to diversify the investment portfolios when opportunities arise.

Fund growth

As at 31 December 2019, the assets under management have reached approximately US\$310.2 million (31 December 2018: US\$197.1 million). The management fee and performance fee income is approximately HK\$16.2 million during the Year.

Property Investments

The Group principally focuses on the luxury property investments in Hong Kong market and currently holds one luxury property located at No. 2 Lincoln Road, Kowloon Tong in Hong Kong (“**No. 2 Lincoln Road Property**”). During the Year, the rental income from No. 2 Lincoln Road Property was approximately HK\$1.4 million and the Group recorded a loss on revaluation of No. 2 Lincoln Road Property of HK\$45 million. The Group will continue to monitor its property portfolio with an aim to generate the stable rental income and the capital appreciation.

The Group has entered into a conditional formal agreement on 20 March 2020 to dispose of the No. 2 Lincoln Road Property. For details, please refer to the announcements published by the Group dated 4 February 2020, 12 February 2020, 28 February 2020 and 23 March 2020.

Financial Investments and Services

Financial investments and trading

During the Year, the Hang Seng Index starts at 25,824.44 points and closed at 28,189.75 points. Despite the local stock market rebounded, the Group recorded unrealized fair value losses on equity investments at fair value through profit or loss of approximately HK\$4.8 million.

As at 31 December 2019, the Group has debts investments at fair value through profit or loss of approximately HK\$168.5 million. During the Year, the interest income from debt investments amounted to approximately HK\$7.1 million. The Group recorded unrealized fair value gains on debt investments at fair value through profit or loss of approximately HK\$19.8 million.

Money lending business

During the Year, the interest income from the money lending business was approximately HK\$37.0 million. The net balance of loan book recorded an increase of approximately HK\$57.2 million to approximately HK\$356.7 million as compared to approximately HK\$299.5 million as at 31 December 2018. The money lending business charged annual interest rates at a range from 5% to 12% (31 December 2018: range from 5% to 12%). The Group will continue to maintain its prudent credit policy and risk management approach with a view to achieve a sound financial management and sustainable business environment.

Prospects

The United States and China signed a preliminary agreement of a “phase one” trade deal in January 2020. Under the agreement, China will boost its purchases of United States manufactured goods, agricultural products, energy and services over the next two years. Despite the United States and China promise at least a cease-fire between the world’s two biggest economies, the trade wars are far from over.

Global debts hit a record high in 2019, led by a surge in borrowings in the U.S. and China. The global economy faces escalating risks from rising levels of corporate debt, with companies around the world needing to repay or refinance over the next few years.

The outbreak of new coronavirus recently has seriously damaged the global economy. The number of confirmed cases of the new coronavirus has overtaken the 2003 SARS outbreak in global, as the virus was confirmed to have spread across the world. The sudden restrictions on travel to and from the city and country could hit the global economy especially in the tourism and retail sales sectors. The economic impact will be significant if the virus continues to spread.

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\$947.7 million as compared to the revenue of approximately HK\$174.5 million last year. The Group’s revenue principally comprised the interest income from money lending business of approximately HK\$37.0 million, commission income from provision of DCM services of approximately HK\$790.6 million, commission income from securities and futures dealing of approximately HK\$9.7 million, interest income from securities margin financing of approximately HK\$41.5 million and property rental income of approximately HK\$1.4 million.

The Group recorded other comprehensive loss of approximately HK\$907.8 million for the Year (other comprehensive loss for the year ended 31 December 2018: approximately HK\$1,052.1 million). It was mainly attributable to a fair value loss of approximately HK\$901.1 million on equity investments at fair value through other comprehensive income (for the year ended 31 December 2018: approximately HK\$943.8 million). As at 31 December 2019, the Group’s net asset value was approximately HK\$1,215.3 million (31 December 2018: HK\$1,848.8 million).

Major Customers

During the Year, the Group's largest customer and five largest customers accounted for approximately 37.07% and 68.04% respectively of the Group's total revenue. As far as the Directors are aware, none of the 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 2019 were approximately HK\$99.2 million (31 December 2018: HK\$100.9 million).

As at 31 December 2019, the Group had bank overdrafts of approximately HK\$117.1 million (31 December 2018: HK\$45.1 million), interest-bearing bank borrowings of approximately HK\$261.3 million (31 December 2018: HK\$298.7 million), interest-bearing other borrowings of approximately HK\$429.9 million (31 December 2018: HK\$472.2 million) and non-current notes payable of approximately HK\$86.6 million (31 December 2018: HK\$86.6 million).

As at 31 December 2019, the Group's current ratio was approximately 1.41 times (31 December 2018: 1.14 times) based on current assets of approximately HK\$1,367.9 million (31 December 2018: HK\$914.4 million) and current liabilities of approximately HK\$966.9 million (31 December 2018: HK\$799.1 million). As at 31 December 2019, the Group has no capital commitment (31 December 2018: Nil). The Group also had no other contingent liabilities (31 December 2018: Nil).

Capital Structure

As at 31 December 2019, the Group's gearing ratio was approximately 73.6% (31 December 2018: 48.82%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK\$894.9 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 United States 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 2019, 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\$790.7 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 2019 is set out below:

Significant Investments

Stock Code	Name of the investees	Percentage of shareholding in the listed securities held by the Group as at 31 December 2019	Percentage of the fair value of the investment in listed securities to total assets of the Group as at 31 December 2019	Fair value of the investment in listed securities as at 31 December 2019 <i>HK\$'000</i>	Carrying value of the investment in listed securities as at 31 December 2019 <i>HK\$'000</i>	Fair value gains/(losses) of the investment in listed securities as at 31 December 2019 <i>HK\$'000</i>	Realised gain/(loss) for the year ended 31 December 2019 <i>HK\$'000</i>
Equity investments at fair value through other comprehensive income							
1141	CMBC Capital Holdings Limited	6.97%	19.60%	475,747	1,192,721	(716,974)	(97,899)
	Others	N/A	1.27%	30,903	123,462	(92,559)	(153,430)
	Total			<u>506,650</u>	<u>1,316,183</u>	<u>(809,533)</u>	<u>(251,329)</u>
Equity and fund investments at fair value through profit or loss							
1141	CMBC Capital Holdings Limited	0.48%	1.34%	32,410	52,127	(19,717)	–
	Others	N/A	3.42%	83,095	68,183	14,912	52
	Total			<u>115,505</u>	<u>120,310</u>	<u>(4,805)</u>	<u>52</u>
Debt investments at fair value through profit or loss*							
	Total			<u>168,530</u>	<u>148,777</u>	<u>19,753</u>	<u>111</u>

* The debt investments are invested through Fortune China Bond SPII, none of the debt investments account for more than 5% of the Group's net assets at the reporting date.

Performance and prospects of the investees

1. CMBC Capital Holdings Limited (“CMBC”)

CMBC together with its subsidiaries (the “**CMBC Group**”) are principally engaged in (i) securities business, (ii) investment and financing and (iii) asset management and advisory business. As mentioned in its interim report for the six months ended 30 June 2019, the CMBC Group recorded a total revenue and other income of approximately HK\$450.1 million for the six months ended 30 June 2019. The CMBC Group has reported a net profit of approximately HK\$150.3 million attributable to owners of CMBC. The basic and diluted earnings per share were both HK0.32 cent. As at 30 June 2019, the audited consolidated net asset value of the CMBC Group was approximately HK\$2,129.5 million. CMBC Group has not declared an interim dividend for the six months ended 30 June 2019.

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

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

As at 31 December 2019, the Group held 3,553,545,829 shares of CMBC. CMBC closed at HK\$0.143 as at 31 December 2019 as compared to HK\$0.325 as at 31 December 2018.

2. Fortune China Bond SP II

Fortune China Bond SP II now mainly invests in the US dollar denominated bonds including the Chengtou Bonds issued by Chinese institutions. The coupon rate of the bonds range from 4.58% to 8.75% per annum with maturity period range from one year to perpetual.

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

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

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

As at 31 December 2019, the Group held 4,945.2799 participating shares of Fortune China Bond SP II representing 29.26% interest of Fortune China Bond SP II.

Details of Charges on Assets

As at 31 December 2019, the Group had pledged certain listed equity investments of approximately HK\$499.6 million (31 December 2018: HK\$1,276.4 million) to secure the other borrowings. As at 31 December 2019, the Group had pledged its investment properties with a carrying amount of HK\$390.0 million to secure the bank borrowings (31 December 2018: HK\$435.0 million).

Change of Company Name and Stock Short Name

To better reflect the current status of the Group's business and its direction of future development, the Company's English name has been changed to "Central Wealth Group Holdings Limited" and the Company's secondary name in Chinese has been changed to "中達集團控股有限公司". Shares have been traded on the Stock Exchange under the new stock short name "CENTRALWEALTHGP" in English and "中達集團控股" in Chinese, with effect from 11 February 2019. The stock code of the Company remains unchanged as "139". For details, please refer to the announcements of the Company dated 29 November 2018, 27 December 2018 and 1 February 2019, and the circular of the Company dated 30 November 2018.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2019, the Group had a total of 91 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 yearly 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.

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 draft 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIRECTORS OF THE COMPANY

As at the date hereof, the Board comprises four executive directors namely, Mr. Chen Xiaodong (Chairman), Mr. Xu Ke (Chief Executive Officer), Mr. Yu Qingrui and Ms. Lam Hay Yin and three independent non-executive directors namely, Mr. Kwok Chi Kwong, Mr. Wu Ming and Mr. Liu Hongwei.

By order of the Board
Central Wealth Group Holdings Limited
Chen Xiaodong
Chairman

Hong Kong, 25 March 2020