

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement

CENTRAL HOLDING GROUP CO. LTD.

中環控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1735)

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF THE CONSTRUCTION SERVICES AGREEMENT

Financial adviser to the Company



Draco Capital Limited

BACKGROUND

On 7 July 2020 (after trading hours), Anhui Zhongzhihuan Construction, an indirect wholly-owned subsidiary of the Company and Linquan Zhongzhihuan Property entered into the Construction Services Agreement, pursuant to which Anhui Zhongzhihuan Construction has agreed to act as contractor to provide construction services for the Construction Project to Linquan Zhongzhihuan Property with an aggregate amount of service fee of not more than RMB132.72 million from time to time for the period commencing on the Effective Date until 31 December 2022.

It is proposed that the Annual Caps under the Construction Services Agreement shall be RMB43,451,000, RMB66,299,000 and RMB22,970,000 for the period from the Effective Date to 31 December 2020, the year ending 31 December 2021 and the year ending 31 December 2022 respectively.

THE CONSTRUCTION SERVICES AGREEMENT

The principal terms of the Construction Services Agreement are set out below:

- Date : 7 July 2020
- Parties : (a) Linquan Zhongzhihuan Property
(b) Anhui Zhongzhihuan Construction

Subject matter : Anhui Zhonghuihuan Construction will act as contractor to provide construction services to the Construction Project of Linqun Zhongzhihuan Property in the PRC from time to time. The Group shall enter into individual construction contracts (the “**Individual Contracts**”) with Linqun Zhongzhihuan Property for the provision of construction services by the Group as the contractor subject to terms and conditions of the Construction Services Agreement at fair and reasonable market prices.

Such construction services shall include, among others, civil engineering, installation, decoration, pile foundation, earthworks and outdoor works.

For the avoidance of doubt, construction works relating to water supply, power supply and gas supply of the Construction Project shall not be included in the Construction Services Agreement.

Term : From the Effective Date to 31 December 2022 (both dates inclusive)

Service Fees and Pricing basis : The final construction service fee under the Construction Services Agreement shall be determined by the contract sum payable under each of the Individual Contracts and shall in aggregate be not more than RMB132.72 million (inclusion of value-added tax).

The contract sum payable under each of the Individual Contracts will be determined by the bills of quantities (工程量清單), which would be calculated based on, among others, the actual construction area of projects, the number of labour, the types, specifications, quantity and quality of the construction materials and their respective market prices with reference to the standards and guidance on the relevant rates and fees set out in, among others, the Code of Bills of Quantities and Valuation for Construction Works in Anhui Province, the PRC* 《安徽省建設工程工程量清單計價規範》 (DBJ34/T-206-2005) and Fuyang City Construction Costs Information Price* 《阜陽市工程造價信息價》.

Each of the final contract sums shall be finalised after the completion of each of the construction works, subject to further price adjustments to be made in accordance with the terms of adjustment as adopted by the parties under each of the Individual Contracts.

Payment terms : The contract sum payable by Linquan Zhongzhihuan Property will be settled pursuant to the payment terms as set out in each of the Individual Contracts in accordance with usual market practices and payment terms of similar projects.

To the best of the knowledge and belief of the Directors and in accordance with usual market practices, the contract sum is usually settled in stages based on the budget and actual progress of the project to be further delineated in the Individual Contracts.

Conditions precedent : The completion of all internal approval procedures by Linquan Zhongzhihuan Property and Anhui Zhongzhihuan Construction, including but not limited to, the passing of relevant resolutions by the Independent Shareholders at the EGM to approve the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps.

All reviews, filings, consents, waivers, approvals, authorizations and clearances, if any, from any relevant governmental or regulatory authority or any relevant third party that are necessary for entering into and performance of the Construction Services Agreement having been obtained.

The signings by the legal representatives of Linquan Zhongzhihuan Property and Anhui Zhongzhihuan Construction with their respective official company stamps.

ANNUAL CAPS

Set out below are Annual Caps for the transactions contemplated under the Construction Services Agreement for the relevant periods:

	For the period from the Effective Date to 31 December 2020 RMB	1 January 2021 to 31 December 2021 RMB	1 January 2022 to 31 December 2022 RMB
Annual Caps	43,451,000	66,299,000	22,970,000

The Annual Caps were determined with reference to the projected revenue to be derived from Individual Contracts under the Construction Service Agreement that would be entered into between Linquan Zhongzhihuan Property and Anhui Zhongzhihuan Construction in accordance with the project schedule of the Construction Project during the period from the Effective Date to 31 December 2020 and the two years ending 31 December 2022.

Such projection is solely for determining the Annual Caps and shall not be regarded as any indication directly or indirectly as to the respective revenue or profitability of the Group.

REASONS FOR AND BENEFITS OF THE CONSTRUCTION SERVICES AGREEMENT

The Company is an investment holding company and the Group is principally engaged in the business of (i) foundation works and superstructure building works in Hong Kong; (ii) property development and investment; and (iii) logistics services and information technology development in the PRC.

In November 2019, the Group acquired the entire equity interest of Anhui Zhongzhihuan Construction which was incorporated in the PRC and owns a construction licence in the PRC. Given that Anhui Zhongzhihuan Construction possesses the necessary qualifications and/or licenses to engage in the provision of construction services, the entering into of the Construction Services Agreement allows the Group to expand its business into the construction industry by engaging in the Construction Project in Anhui Province, the PRC.

The Directors (other than (i) Mr. Yu, being the Chairman, Chief Executive Officer and an executive Director and (ii) Mr. Qiao Xiaoge, Mr. Gao Jian and Ms. Zhu Yujuan, being all the non-executive Directors, who have abstained from voting on the relevant board resolutions due to conflict of interest, and (iii) all the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) are of the view that the entering into of the Construction Services Agreement is in the ordinary and usual course of business of the Company and the terms of the Construction Services Agreement were concluded after arm's length negotiations and reflect normal commercial terms, and that the terms of the Construction Services Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL

The Group has adopted the following internal control procedures to govern the continuing connected transactions of the Group under the Construction Services Agreement and the Annual Caps:

- (i) the finance department of the Company will closely monitor and record the actual transaction amounts of the transactions under the Construction Services Agreement to ensure that the Annual Caps will not be exceeded;
- (ii) the management of Anhui Zhongzhihuan Construction will submit the construction plans, bills of quantities and status report to the management of the Group before entering into Individual Contracts;
- (iii) the Company's auditor will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually and confirm whether (a) the transactions under the Construction Services Agreement have been approved by the Board; (b) the transactions were entered into in accordance with the Construction Services Agreement; and (c) the Annual Caps have not been exceeded; and
- (iv) the independent non-executive Directors will perform annual review (which are subject to the annual review and disclosure requirements under the Listing Rules) to confirm the transactions under the Construction Services Agreement are conducted (a) in the

ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Construction Services Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board believes that the above internal control procedures are appropriate and can ensure the relevant transactions are carried out in accordance with the Construction Services Agreement and the fee charged by the Group will not be less favourable than those charged under transactions with independent third parties.

INFORMATION OF LINQUAN ZHONGZHIHUAN PROPERTY

Linquan Zhonghuihuan Property is indirectly wholly-owned by Mr. Yu and was a company incorporated in the PRC which is principally engaged in property development, sales and leasing.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Linquan Zhongzhihuan Property is indirectly wholly-owned by Mr. Yu, who is the Chairman, Chief Executive Officer, an executive Director and the controlling shareholder of the Company indirectly holding 75% of the issued share capital of the Company and therefore a connected person of the Company. As such, Linquan Zhongzhihuan Property is an associate of Mr. Yu and therefore also a connected person of the Company and accordingly, the transactions contemplated under the Construction Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios on an annual basis in respect of the Annual Caps exceed 25%, the transactions contemplated under the Construction Services Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements.

GENERAL

The EGM will be convened by the Company for the Independent Shareholders to consider, and if thought fit, approve the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for Mr. Yu and his associates holding in aggregate 198,000,000 Shares, representing 75% of the issued share capital of the Company, no other Shareholder has a material interest in the transactions contemplated under the Construction Services Agreement such that he or she or it shall abstain from voting at the EGM on the resolutions in respect of the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to (i) whether the terms of the Construction Services Agreement and the Annual Caps are fair and reasonable; (ii) whether the Construction Services Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of the

business of the Group; (iii) whether the transactions contemplated under the Construction Services Agreement are in the interests of the Company and the Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders. Chanceton Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps.

A circular containing, among other things, (a) further information on the terms of the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps; (b) a letter from the Independent Board Committee to the Independent Shareholders; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (d) a notice of the EGM, is expected to be despatched to the Shareholders on or before 17 July 2020 in accordance with the Listing Rules.

DEFINITIONS

“Anhui Zhongzhihuan Construction”	Anhui Zhongzhihuan Construction Company Limited* 安徽中之環建築工程有限公司, a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company;
“Annual Caps”	the annual caps for the transactions contemplated under the Construction Services Agreement, being RMB43,451,000, RMB66,299,000 and RMB22,970,000 for the period from the Effective Date to 31 December 2020 and the two years ending 31 December 2022 respectively;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Chanceton Capital” or “Independent Financial Adviser”	Chanceton Capital Partners Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps;
“Company”	Central Holding Group Co. Ltd., a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 1735);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Construction Project”	the construction project of “Linquan 70mu Central Street Project”* (臨泉70畝中環街項目) with approximately 54,000 sq.m. located in Linquan, Anhui Province, the PRC;

“Construction Services Agreement”	the agreement dated 7 July 2020 entered into between Linqun Zhongzhihuan Property and Anhui Zhongzhihuan Construction, pursuant to which the Group has agreed to act as contractor to provide construction services for the Construction Project to Linqun Zhongzhihuan Property from time to time for the period commencing on the Effective Date until 31 December 2022;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Effective Date”	within 15 days upon the Construction Services Agreement having become effective after fulfilment of all conditions precedent;
“EGM”	an extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Independent Board Committee”	a committee of the Board (comprising all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps;
“Independent Shareholders”	Shareholders who are not interested in the Construction Services Agreement and are not required under the Listing Rules to abstain from voting at the EGM to approve the same, the transactions contemplated thereunder and the Annual Caps;
“Linqun Zhongzhihuan Property”	Linqun Zhongzhihuan Property Development Limited* (臨泉中之環置業有限公司), a company incorporated in the PRC and indirect wholly-owned by Mr. Yu;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Yu”	Mr. Yu Zhuyun, the Chairman, Chief Executive Officer and an executive Director;
“PRC”	the People’s Republic of China;

“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By Order of the Board
Central Holding Group Co. Ltd.
Li Menglin
Executive Director

Hong Kong, 7 July 2020

As at the date of this announcement, the executive Directors are Mr. Yu Zhuyun (Chairman and Chief Executive Officer) and Mr. Li Menglin; the non-executive Directors are Mr. Qiao Xiaoge, Mr. Gao Jian and Ms. Zhu Yujuan; and the independent non-executive Directors are Dr. Li David Xianglin, Mr. Wang Wenxing and Dr. Zhou Chunsheng.

English translation of Chinese names which is marked with “” in this announcement is for identification purposes only.*