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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)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTEREST OF THE TARGET COMPANY

Financial Adviser to the Company



Draco Capital Limited

THE ACQUISITION

The Board is pleased to announce that on 10 November 2020, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire equity interest in the Target Company at a total consideration of RMB3 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, as one of the applicable percentage ratios (set out in Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement requirements but is exempt from Shareholders' approval requirement under the Listing Rules.

The Vendor is an indirect wholly-owned subsidiary of Mr. Yu, the controlling shareholder of the Company and therefore is a connected person of the Company. Thus, the Vendor is an associate of Mr. Yu and therefore a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Consideration is less than HK\$10 million and all the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are less than 25%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

In addition, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Yu has a material interest in the Agreement and the transactions contemplated thereunder. Accordingly, Mr. Yu is required to abstain from voting on the relevant Board resolutions for approving the Acquisition.

THE ACQUISITION

On 10 November 2020, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor with respect to the Acquisition.

The principal terms of the Agreement are set out below.

Parties

- (1) The Vendor
- (2) The Purchaser

Assets to be acquired

Pursuant to the Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell the entire equity interests in the Target Company.

Consideration

The total consideration for the Acquisition (the “**Consideration**”) is RMB3 million (equivalent to approximately HK\$3.51 million), which was determined based on the arm's length negotiation between the Purchaser and the Vendor with reference to (i) the unaudited net asset value of the Target Company of approximately RMB3.02 million (equivalent to HK\$3.53 million) as at 30 September 2020; (ii) the prospective synergy effect that could be achieved after the Acquisition and (iii) the reasons and benefits as set out in the section headed “Reasons for and benefits of the Acquisition” in this announcement.

The Consideration shall be payable by the Purchaser by cash to the Vendor within 10 Days after Completion Date.

Conditions precedent

Completion is conditional upon each of the following conditions being satisfied or waived in writing by the Purchaser:

- a the signing and execution of the Agreement having completed the pre-requisite approval and/or filings by the relevant regulatory authorities in Hong Kong;
- b the Vendor (including its group) having passed all internal approval procedures and agreements to approve the signing and execution of the Agreement;

- c the Purchaser (including its group) having passed all internal approval procedures and agreements to approve the signing and execution of the Agreement;
- d The Vendor and Purchaser having obtained all consents, waivers, approvals, authorizations and permits (if any) necessary for the signing and execution of the Agreement from relevant governmental or regulatory authorities or relevant third parties respectively;
- e the Purchaser having satisfied with the results of the due diligence (including legal, financial and business matters) conducted on the Acquisition by independent professional parties;
- f all representations and warranties provided by the Vendor in the Agreement being true, accurate and complete when made and remaining true, accurate and complete not misleading in all respects from the date of the Agreement to Completion Date;
- g no litigation or investigations have been commenced, threatened or interfered against the Acquisition;
- h No material adverse change in the business, operations, assets, financial position, etc. of the Target Company having occurred on or before the date of Completion;
- i the Vendor and the Target Company having made appropriate representations and warranties relating to the Acquisition and undertake that no loss will be incurred to the Purchaser by the Acquisition resulting from the Vendor and the Target Group.

Save as Conditions Precedent (a), (b), (c) and (d) above, the Purchaser may waive any Conditions Precedent by written notice.

Completion

Completion shall take place on the Completion Date, but no later than 30 November 2020 or such other dates as the parties may agree, upon the change of relevant business registration in respect of the Acquisition was completed and the Notice of registration relating to approval of change (filing)* 《准予變更(備案)登記通知書》 has been obtained from the relevant PRC governmental authority to reflect that the Purchaser is the legal and beneficial owner of the Target Company.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its respective results will be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is a company incorporated in the PRC with limited liability and principally engaged in provision of property management services, among others, parking services, landscaping, greening, real estate agency services, housekeeping services; water and electricity supplies installation and maintenance, decoration, flower leasing and ticketing agency service in the PRC.

The Acquisition would enable the Group to expand business scale and market share in the property management services sector in the PRC. The Board is confident that the Acquisition will contribute positively to the Group by bringing in additional source of income and synergy with the existing business of property development and investment properties of the Group by the Acquisition. Based on the factors as disclosed above, the Directors (including independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET COMPANY

According to the unaudited financial statements prepared by the Target Company, the unaudited net asset value of the Target Company as at the two years ended 31 December 2018 and 31 December 2019 was approximately RMB1.67 million and RMB0.75 million, respectively. Set out below are the financial information of the Target Company for the two years ended 31 December 2018 and 31 December 2019:

| | For the year ended | |
|------------------------------|---------------------------|----------------|
| | 31 December | |
| | 2018 | 2019 |
| | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 23,326 | 26,120 |
| Net profit/(loss) before tax | 2,193 | (916) |
| Net profit/(loss) after tax | 2,193 | (916) |

INFORMATION ON THE PARTIES

The Group

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 properties; (iii) trading of construction materials; (iv) health and wellness business and (v) smart logistics services and information technology development in the PRC.

The Purchaser

The Purchaser is an indirect wholly-owned subsidiary of the Company and its principal activities include property service evaluation, housekeeping services, parking services, landscaping engineering construction, residential water and electricity installation and maintenance services, urban greening management, flower and green plant rental and management, ticketing agency services, property management and residential interior decoration.

The Vendor

The Vendor is principally engaged in provision of property investment advisory services, property leasing, cultural and art exchange planning service, corporate image, marketing planning, business operation management, exhibition and conference services, construction materials, installation materials and automobile sale in the PRC and is an indirect wholly-owned subsidiary of Mr. Yu.

LISTING RULES IMPLICATIONS

As at the date of this announcement, as one of the applicable percentage ratios (set out in Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement requirements but is exempt from Shareholders' approval requirement under the Listing Rules.

The Vendor is an indirect wholly-owned subsidiary of Mr. Yu, the controlling shareholder of the Company and therefore is a connected person of the Company. Thus, the Vendor is an associate of Mr. Yu and therefore a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Consideration is less than HK\$10 million and all the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are less than 25%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

In addition, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Yu has a material interest in the Agreement and the transactions contemplated thereunder. Accordingly, Mr. Yu are required to abstain from voting on the relevant Board resolutions for approving the Acquisition.

Completion of the Acquisition is conditional upon the fulfilment of the conditions set out under the paragraph headed "Conditions precedent" in this announcement, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed.

Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

| | |
|------------------------|---|
| “Acquisition” | the acquisition of the entire equity interest of the Target Company by the Purchaser from the Vendor in accordance with the terms of the Agreement |
| “Agreement” | the agreement dated 10 November 2020 entered into between the Purchaser and the Vendor in relation to the Acquisition |
| “Board” | the board of the Company |
| “Business Day” | any day (other than a Saturday, Sunday or a public holiday in the PRC) |
| “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) |
| “Completion” | completion of the Acquisition |
| “Completion Date” | the date of Completion |
| “Conditions Precedent” | The conditions precedent set out in the paragraph headed “Conditions Precedent” in this announcement |
| “connected person” | has the meanings ascribed to it under the Listing Rules |
| “Consideration” | the consideration to be paid |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Yu” | Yu Zhuyun, the Chairman, Chief Executive Officer and an executive Director |
| “PRC” | the People’s Republic of China |

| | |
|------------------|---|
| “Purchaser” | Control Bauhinia Property Services (Shenzhen) Co. Ltd.* (中環紫荊物業服務(深圳)有限公司), an indirect wholly-owned subsidiary of the Company which was incorporated in the PRC with limited liability |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | the shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Anhui Zhong Gang Property Service Co. Ltd.* (安徽中港物業服務有限公司), a company incorporated in the PRC with limited liability |
| “Vendor” | Hefei Zhongheng Property Co. Ltd.* (合肥中恒置業有限公司), a company incorporated in the PRC with liability |
| “%” | per cent. |

Note: For the purpose of illustration only, RMB is translated to HK\$ at the illustrative rate of RMB1.00 = HK\$1.17.

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

Hong Kong, 10 November 2020

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