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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)**

## **ANNOUNCEMENT OF 2021 INTERIM RESULTS**

### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the six months ended 30 June 2021 amounted to approximately HK\$313.4 million (for the six months ended 30 June 2020: approximately HK\$80.4 million).
- Loss attributable to the owners of the Company for the six months ended 30 June 2021 amounted to approximately HK\$17.2 million (loss attributable to owners of the Company for the six months ended 30 June 2020: approximately HK\$11.9 million).
- Basic and diluted loss per share for the six months ended 30 June 2021 amounted to approximately HK cents 1.43 (basic and diluted loss per share for the six months ended 30 June 2020: approximately HK cents 1.13).
- The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Central Holding Group Co. Ltd. (the “**Company**”) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”) together with the comparative figures for the six months ended 30 June 2020 (the “**Previous Period**”).

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

		<b>Six months ended</b>	
		<b>30/06/2021</b>	30/06/2020
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>313,420</b>	80,369
Direct costs		<b>(296,530)</b>	(80,311)
Gross profit		<b>16,890</b>	58
Other income and net (losses)/gains	3	<b>2,323</b>	2,341
Gain on fair value changes of investment properties		–	5,375
Administrative and other operating expenses		<b>(34,580)</b>	(17,611)
Finance costs		<b>(197)</b>	(11)
Loss before income tax	4	<b>(15,564)</b>	(9,848)
Income tax expense	5	<b>(1,590)</b>	(2,095)
Loss for the period		<b>(17,154)</b>	(11,943)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences arising on translation of foreign operations		<b>858</b>	16
Other comprehensive income for the period, net of tax		<b>858</b>	16
Total comprehensive expense for the period attributable to owners of the Company		<b>(16,296)</b>	(11,927)
Loss for the period attributable to:			
Owners of the Company		<b>(15,072)</b>	(11,943)
Non-controlling interests		<b>(2,082)</b>	–
		<b>(17,154)</b>	(11,943)
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		<b>(14,215)</b>	16
Non-controlling interests		<b>(2,081)</b>	–
		<b>(16,296)</b>	16
		<b>HK Cents</b>	<b>HK Cents</b>
Loss per share attributable to owners of the Company			
— Basic and diluted loss per share	6	<b>(1.43)</b>	(1.13)

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

*As at 30 June 2021*

	<b>At 30 June 2021 (unaudited) HK\$'000</b>	<b>At 31 December 2020 (audited) HK\$'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	31,544	20,873
Right-of-use assets	12,337	13,260
Investment properties	84,330	71,149
Intangible assets	4,151	4,115
Deposit and prepayment for life insurance policy	3,174	3,136
	<b>135,536</b>	112,533
<b>Current assets</b>		
Properties under development for sale	86,416	66,914
Contract assets	159,080	167,611
Trade and other receivables	136,294	78,809
Tax recoverable	680	863
Cash and bank balances	42,331	53,757
	<b>424,801</b>	367,954
<b>Total assets</b>	<b>560,337</b>	480,487
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Share capital	2,640	2,640
Reserves	145,500	159,715
Equity attributable to owners of the Company	148,140	162,355
Non-controlling interests	(1,115)	102
<b>Total equity</b>	<b>147,025</b>	162,457

		At 30 June 2021 (unaudited) <i>HK\$'000</i>	At 31 December 2020 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		5,856	6,555
Liabilities for long service payments		842	820
Deferred tax liabilities		7,644	6,348
		<u>14,342</u>	<u>13,723</u>
<b>Current liabilities</b>			
Contract liabilities		100,025	76,865
Trade and other payables	9	213,098	175,295
Lease liabilities		1,570	1,765
Amounts due to related companies		84,273	49,087
Tax payables		4	1,295
		<u>398,970</u>	<u>304,307</u>
<b>Total liabilities</b>		<u>413,312</u>	<u>318,030</u>
<b>Total equity and liabilities</b>		<u>560,337</u>	<u>480,487</u>
<b>Net current assets</b>		<u>25,831</u>	<u>63,647</u>
<b>Total assets less current liabilities</b>		<u>161,367</u>	<u>176,180</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 29 March 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares (the “**Share**”) have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 29 March 2018. As at 30 June 2021, its parent and ultimate holding company is Central Culture Resource Group Limited, a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability and wholly owned by Mr. Yu Zhuyun, the controlling shareholder of the Company.

The Company’s registered office address is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the Company’s principal place of business is Office 5509, 55th Floor, The Center, 99 Queen’s Road Central, Central, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the business of (i) foundation works and superstructure building works in Hong Kong and the People’s Republic of China (“**PRC**”); (ii) property development and investment properties; (iii) property management services; (iv) trading of construction materials; (v) food and beverage (“**F&B**”) supply chain business; (vi) smart logistics services and information technology development and (vii) health and wellness business in PRC.

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The financial information relating to the year ended 31 December 2020 that is included in the condensed consolidated interim financial statements for the period from 1 January 2021 to 30 June 2021 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements.

The condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss which are carried at fair value.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the significant accounting policies used in the preparation of condensed consolidated interim financial statements for the period from 1 January 2021 to 30 June 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 19, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

### 3. REVENUE, OTHER INCOME AND NET (LOSSES)/GAINS AND SEGMENT INFORMATION

Revenue and other income recognised during the periods are as follows:

	Six months ended	
	30/06/2021 (unaudited) HK\$'000	30/06/2020 (unaudited) HK\$'000
<b>Revenue</b>		
Foundation works and superstructure building works	84,650	58,084
Property management	18,990	–
Trading of construction materials	140,677	11,171
Health and wellness	36,916	8,468
F&B supply chain	27,477	–
Smart logistics and information system	4,710	2,646
	<u>313,420</u>	<u>80,369</u>
<b>Other income and net (losses)/gains</b>		
Interest income	70	65
Net (losses)/gains on disposal of property, plant and equipment	(20)	100
Government grants	183	–
Operating lease income — machinery and equipment	1,890	1,710
Sundry income	200	466
	<u>2,323</u>	<u>2,341</u>

During the current period, the Group recognised government grants of approximately HK\$183,000 of which approximately HK\$20,000 in respect of the Construction Business Support Scheme provided by the Hong Kong government, the remaining amounts of approximately HK\$163,000 represent the grants received from the PRC government, there were no unfulfilled conditions.

## Segment information

The Group's operating segments are determined based on information reported to the board of directors of the Company, being the chief operating decision-maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance.

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

- (i) Foundation works and superstructure building works — provision of piling works, excavation and lateral support works, and pile cap construction and building works in relation to the parts of the structure above the ground level and other construction works;
- (ii) Property development and investment — development and sale of properties and holding of properties for investment and leasing purposes;
- (iii) Property management — provision of property management services, which include security, cleaning, greening, gardening, repair and maintenance;
- (iv) Trading of construction materials — trading of construction materials;
- (v) Health and wellness — provision of health and wellness solution services and supplying of healthcare and wellness related products;
- (vi) F&B supply chain — provision of agriculture products, food and beverage materials supply chain business; and
- (vii) Smart logistic and information system — provision of logistics services and information technology development.

The Group has introduced additional segment of F&B supply chain business during the Period.

## Segment revenue and results

The following is an analysis of the Group's revenue and result by operating segments:

### For the six months ended 30 June 2021

	Foundation works and superstructure building works (unaudited) HK\$'000	Property development and investment (unaudited) HK\$'000	Property management (unaudited) HK\$'000	Trading of construction materials (unaudited) HK\$'000	Health and wellness (unaudited) HK\$'000	F&B supply chain (unaudited) HK\$'000	Smart logistic and information system (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>REVENUE</b>									
Revenue from external customers	84,650	-	18,990	140,677	36,916	27,477	4,710	-	313,420
Inter-segment sales	18,781	-	-	-	-	-	-	(18,781)	-
	103,431	-	18,990	140,677	36,916	27,477	4,710	(18,781)	313,420
<b>RESULT</b>									
Segment (loss)/profit	12,028	(646)	4,851	1,551	567	(1,328)	(133)	-	16,890
Other income and net (losses)/gains									2,323
Unallocated corporate expenses									(34,580)
Finance costs									(197)
Loss before income tax									<u>(15,564)</u>

### For the six months ended 30 June 2020

	Foundation works and superstructure building works (unaudited) HK\$'000	Property development and investment (unaudited) HK\$'000	Smart logistic and information system (unaudited) HK\$'000	Health and wellness (unaudited) HK\$'000	Trading of construction materials (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>REVENUE</b>						
Revenue from external customers	58,084	-	2,646	8,468	11,171	80,369
<b>RESULT</b>						
Segment (loss)/profit	(2,334)	5,375	1,753	456	183	5,433
Other income and net gains						2,341
Unallocated corporate expenses						(17,611)
Finance costs						(11)
Loss before income tax						<u>(9,848)</u>

Segment revenue reported above represents revenue generated from external customers. Inter-segment revenue is charged at prevailing market rates. There were no inter-segment sales in the prior period.



The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the (loss)/profit from each segment without allocation of other income and net (losses)/gains, unallocated corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

### Segment assets and liabilities

	At 30 June 2021 (unaudited) HK\$'000	At 31 Dec 2020 (audited) HK\$'000
<b>Segment assets</b>		
Foundation works and superstructure building works	205,307	230,867
Property development and investment	186,325	149,983
Property management	14,466	10,502
Trading of construction materials	50,526	10,913
Health and wellness	32,784	1,686
F&B supply chain	5,531	–
Smart logistic and information system	4,540	2,693
	<hr/>	<hr/>
Total segment assets	499,479	406,644
Unallocated corporate assets	60,858	73,843
	<hr/>	<hr/>
Consolidated total assets	<u>560,337</u>	<u>480,487</u>
<b>Segment liabilities</b>		
Foundation works and superstructure building works	143,976	154,974
Property development and investment	140,082	66,847
Property management	13,784	19,584
Trading of construction materials	46,435	5,808
Health and wellness	32,132	954
F&B supply chain	6,102	–
Smart logistic and information system	7,423	128
	<hr/>	<hr/>
Total segment liabilities	389,934	248,295
Unallocated corporate liabilities	23,378	69,735
	<hr/>	<hr/>
Consolidated total liabilities	<u>413,312</u>	<u>318,030</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than deposits and prepayment for life insurance policy, tax recoverable, cash and bank balance and other unallocated corporate assets; and
- all liabilities are allocated to operating segments other than tax payables, deferred tax liabilities, liabilities for long service payments and other unallocated corporate liabilities.

#### 4. LOSS BEFORE INCOME TAX

Loss before taxation has been arrived at after charging/(crediting):

	Six months ended	
	30/06/2021	30/06/2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	3,472	1,463
Depreciation of right-of-use assets	1,077	225
Provision for/(reversal of) impairment losses on trade receivables	955	(19)
Provision for impairment losses on contract assets	44	18
Provision for impairment losses on other receivables and deposits	139	46
Rental expense from short-term leases	746	1,250
Staff costs (including directors' emoluments)	33,159	13,517

#### 5. INCOME TAX EXPENSE

	Six months ended	
	30/06/2021	30/06/2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Hong Kong Profits Tax</b>		
— Current income tax	—	170
<b>The PRC Enterprise Income Tax</b>		
— Current tax	346	2,074
— Over-provision in prior period	—	(82)
<b>Deferred tax</b>	1,244	(67)
<b>Income tax expense</b>	1,590	2,095

#### 6. LOSS PER SHARE

	Six months ended	
	30/06/2021	30/06/2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss attributable to owners of the Company (HK\$'000)	15,072	11,943
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	1,056,000	1,056,000
Basic loss per share (HK cents)	1.43	1.13

The weighted average number of ordinary shares for the purpose of basic loss per share for the period ended 30 June 2020 has been adjusted for the share subdivision on 5 August 2020 as if they have taken place since the beginning of the period.

No diluted loss per share is presented for both periods as there was no potential ordinary share outstanding.

## 7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (Previous Period: nil).

## 8. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Trade receivables	78,989	38,025
Less: Provision for impairment losses on trade receivables	<u>(1,757)</u>	<u>(802)</u>
	<u>77,232</u>	<u>37,223</u>
Other receivables, deposits and prepayments	59,517	41,902
Less: Provision for impairment losses on other receivables and deposits	<u>(455)</u>	<u>(316)</u>
	<u>59,062</u>	<u>41,586</u>
	<u><u>136,294</u></u>	<u><u>78,809</u></u>

### Notes:

- (a) The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The credit period granted to customers is 7 to 30 days generally.
- (b) The ageing analysis of the trade receivables (including amounts due from related companies of trading in nature) based on payment certificate date/invoice date is as follows:

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
0–30 days	60,618	29,811
31–60 days	–	3,308
61–90 days	2,843	273
Over 90 days	<u>15,528</u>	<u>4,633</u>
	<u><u>78,989</u></u>	<u><u>38,025</u></u>

- (c) Included in the Group's trade and other receivables are amounts due from related companies of approximately HK\$1,093,000 as at 30 June 2021 (31 December 2020: approximately HK\$910,000), which are repayable on credit terms similar to those offered to other customers of the Group.

## 9. TRADE AND OTHER PAYABLES

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Trade payables	170,163	149,343
Accruals and other payables	42,935	25,952
	<u>213,098</u>	<u>175,295</u>

### Notes:

- (a) Payment terms granted by suppliers are generally 7 to 90 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
0–30 days	58,274	56,750
31–60 days	8,439	15,795
61–90 days	212	68,125
Over 90 days	103,238	8,673
	<u>170,163</u>	<u>149,343</u>

- (b) Included in the Group's other payables are amounts due to related parties of approximately HK\$414,000 as at 30 June 2021 (31 December 2020: approximately HK\$3,986,000), which are non-interest bearing and repayable on demand.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Directors are of the view that the construction business environment in which the Group operates in Hong Kong becomes tough and the Group is facing the challenges including the low bidding price on tenders, increased costs and limited market potential in Hong Kong. The Group will be prudent in managing construction business operations and evaluating business development opportunities in Hong Kong to diversify the revenue sources and therefore the Group can minimize possible exposure to the uncertainties in the Hong Kong market.

The Group considers the prospects of the PRC market promising. To further diversify the Group's source of income and to leverage the synergic advantages and resources of Central Culture Resource Group Limited, the Group has successfully expanded its construction business in a diverse range of related businesses in the PRC, such as building constructions, property development, property management, trading of construction materials, F&B supply chain, provision of smart logistics and information system, health and wellness business, the satisfactory performance was recorded during the Period.

As at 30 June 2021, the Group has seven main segments, which are (i) foundation works and superstructure building works; (ii) property development and investment properties business; (iii) properties management; (iv) trading of construction materials; (v) F&B supply chain; (vi) smart logistic and information technology development; and (vii) health and wellness services. We seek to achieve synergistic value amongst the segments in order to obtain higher returns and greater business opportunities.

#### **Foundation works and superstructure building works**

During the six months ended 30 June 2021, the revenue in foundation works and superstructure building works segment was approximately HK\$84.6 million (six months ended 30 June 2020: approximately HK\$58.1 million), which is accounted for approximately 27.0% (six months ended 30 June 2020: approximately 72.3%) of the Group's total revenue. The increase was mainly due to increase in Construction and building works of Huai Yuan Project (“懷遠”) and Linqun Project (“臨泉”) in the PRC during the Reporting Period.

#### **Property development and investment properties business**

##### *Quzhou — Rural and wellness Project*

As at 30 June 2021, the Group has a new development project in Quzhou City, Zhejiang, comprising of hotel, condominium and bungalows with the theme of “Rural and Wellness Complex”. The total site area of the project is 27,920 sq.m. and the total gross floor area thereof is approximately 37,356 sq.m.. The project is expected to be completed in December 2021, and the Group intends to hold a total gross floor area of approximately 18,599 sq.m. for hotel services or leasing out to generate rental income in future.

### **Property management services**

Property management services include security, cleaning, greening, gardening, repair and maintenance in the PRC. As at 30 June 2021, Gross Floor Area (“GFA”) under management provided by the Group was approximately 1.53 million sq.m. (30 June 2020: nil) and the revenue from the property management business segment was approximately HK\$19.0 million (six months ended 30 June 2020: nil), which accounted for approximately 6.1% (six months ended 30 June 2020: nil) of the Group’s total revenue.

### **Trading of construction materials**

Trading of construction materials includes building steels, cement, building sand and stone. As at 30 June 2021, the revenue from trading of construction materials segment was approximately HK\$140.7 million (six months ended 30 June 2020: HK\$11.2 million), which accounted for approximately 44.9% (six months ended 30 June 2020: 13.9%) of the Group’s total revenue.

### **F&B supply chain business**

F&B supply chain includes supply chain services of agriculture products, frozen meat and other F&B materials. As at 30 June 2021, the revenue from F&B supply chain segment was approximately HK\$27.5 million (six months ended 30 June 2020: nil), which accounted for approximately 8.8% (six months ended 30 June 2020: nil) of the Group’s total revenue.

### **Smart logistics and information system**

During the six months ended 30 June 2021, the revenue in smart logistic and information system segment was approximately HK\$4.7 million (six months ended 30 June 2020: HK\$2.64 million), which is accounted for approximately 1.5% (six months ended 30 June 2020: 3.3%) of the Group’s total revenue.

### **Health and wellness business**

Health and wellness business includes supplying of healthcare products, green food and beauty products. During the six months ended 30 June 2021, the revenue in health and wellness business was increased by approximately HK\$36.9 million (six months ended 30 June 2020: HK\$8.5 million), which is accounted for approximately 11.8% (six months ended 30 June 2020: 10.5%) of the Group’s total revenue.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group for the six months ended 30 June 2021, the Group achieved satisfactory overall operation performance. The Group recorded approximately HK\$313.4 million in revenue, representing an increase of approximately 289.8% as compared with that in the corresponding period last year of approximately HK\$80.4 million. The improvement was primarily due to the combine effect of: (i) net increase in revenue from the foundation works and superstructure building works segment which amounted to approximately HK\$26.5 million as a result of new construction and building works of Huai Yuan Project (“懷遠”) and Linquan Project (“臨泉”) in the PRC; (ii) increase revenue from property management segment accounted for approximately HK\$19.0 million as a result of acquisition of property management company on 10 November 2020; (iii) increased revenue from the trading of construction materials segment which amounted to approximately HK\$129.5 million which was driven by strong growth in sales volume of construction materials during the Period (period ended 30 June 2020: HK\$11.2 million); (iv) increased revenue from the health and wellness segment which amounted to approximately HK\$28.4 million (period ended 30 June 2020: HK\$8.5 million); and (v) increase revenue from F&B supply chain segment accounted for approximately HK\$27.5 million (period ended 30 June 2020: nil).

The following table sets forth the Group’s revenue by business for the periods:

	Six months ended	
	30/06/2021 (unaudited) HK\$'000	30/06/2020 (unaudited) HK\$'000
<b>Revenue</b>		
Foundation works and superstructure building works	84,650	58,084
Property management	18,990	–
Trading of construction materials	140,677	11,171
Health and wellness	36,916	8,468
F&B supply chain	27,477	–
Smart logistic and information system	4,710	2,646
	<u>313,420</u>	<u>80,369</u>

### Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 June 2021 amounted to approximately HK\$16.89 million, representing an increase of approximately 29,021% as compared with approximately HK\$58,000 for the six months ended 30 June 2020. The Group’s gross profit margin also increase from 0.07% for the six months ended 30 June 2020 to 5.4% for the six months ended 30 June 2021. The increase was mainly due to the higher profit margin in building works in the PRC, F&B supply chain business, health and wellness business.

## **Other Income and Net Gains**

Other income and net gains mainly comprise of rental income from machineries and interest income from bank deposit. During the six months ended 30 June 2021, other income and net gains amounted to approximately HK\$2.3 million (six months ended 30 June 2020: approximately HK\$2.3 million).

## **Administrative and Other Operating Expenses**

The administrative and other operating expenses of the Group for the six months ended 30 June 2021 amounted to approximately HK\$34.6 million, representing an increase of approximately 96.6% compared with approximately HK\$17.6 million for the six months ended 30 June 2020, mainly due to increase in the costs new staff as a result of addition new business segment and business expansion in the PRC. As at 30 June 2021, the staff had increased to 431 employees (including full-time and casual employees who are paid on a daily basis) as compare to 94 employees in prior period.

## **Income Tax Expense**

Income tax expense decreased by approximately 23.8% from approximately HK\$2.1 million for the six months ended 30 June 2020 to approximately HK\$1.6 million for the six months ended 30 June 2021.

## **Net Loss**

As a result of the aforesaid, the Group recorded a net loss for the six months ended 30 June 2021 of approximately HK\$17.2 million, while the Group recorded net loss of approximately HK\$11.9 million for the six months ended 30 June 2020. The increase in net loss is mainly due to increase in administrative and other operating expenses as a result of addition of new business segment and business expansion in the PRC.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group has funded the liquidity and capital requirements primarily through capital contributions and cash inflow generated from operating activities.

As at 30 June 2021, the Group had cash and bank balances of approximately HK\$42.3 million (31 December 2020: approximately HK\$53.8 million).

As at 30 June 2021, the share capital and equity attributable to owners of the Company amounted to approximately HK\$2.6 million and HK\$148.1 million respectively (31 December 2020: approximately HK\$2.6 million and HK\$162.4 million respectively).

The current ratio decreased from 1.2 times as at 31 December 2020 to 1.1 times as at 30 June 2021.



## **GEARING RATIO**

Gearing ratio is calculated by dividing all debts by total equity at the period-end date and expressed as a percentage. Debts are defined to include payables incurred not in the ordinary course of business. The gearing ratio of the Group is 5.1% as at 30 June 2021 (31 December 2020: 5.1%).

## **FOREIGN EXCHANGE RISK**

The Group mainly operates in Hong Kong and has commenced new operations in the PRC in 2021. Accordingly, all operating transactions and revenue are settled in Hong Kong dollars and Renminbi, subjecting the Group to foreign exchange risk. The Group has actively taken various measures to manage foreign exchange risk.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group had 431 employees (including full-time and casual employees who are paid on a daily basis) as at 30 June 2021 (30 June 2020: 94). Total staff costs included directors' emoluments for the Period amounted to approximately HK\$33.2 million (Previous Period: approximately HK\$13.5 million), salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employment according to the assessment of individual performance and market situation.

## **CAPITAL COMMITMENTS**

The Group had no capital commitments as at 30 June 2021.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 30 June 2021 (30 June 2020: nil).

## **USE OF PROCEEDS FROM THE LISTING**

On 8 July 2021, the Board resolved to change the use of the remaining unutilised net proceeds (the "**Net Proceeds**") from the initial public offering (the "**Listing**"). For details of such change, please refer to the announcement of the Company dated 8 July 2021.

The below table sets out the use of the Net Proceeds and the unutilized amount as at 30 June 2021:

	<b>Original use of the Net Proceeds HK\$'000 (approximately)</b>	<b>Revised use of the Net Proceeds HK\$'000 (approximately)</b>	<b>Actual use of the Net Proceeds as at 30 June 2021 HK\$'000 (approximately)</b>	<b>Unutilized amount as at 30 June 2021 HK\$'000 (approximately)</b>	<b>Expected timeline</b>
<b>Use of Net Proceeds:</b>					
Hiring of additional staff	11,600	11,600	6,026	5,574	End of 2022
Acquisition of additional machinery and equipment	54,900	43,900	34,068	9,832	End of 2022
General Working Capital	7,000	18,000	7,000	11,000	End of 2022
<b>Total</b>	<u>73,500</u>	<u>73,500</u>	<u>47,094</u>	<u>26,406</u>	

During the six months ended 30 June 2021, the Group had utilised approximately HK\$1.03 million of the proceeds on hiring of additional staff and HK\$14.6 million of the proceeds on acquisition of additional machinery and equipment. The remaining of HK\$9.8 million had been committed on the acquisition of machinery and the delivery date is scheduled by end of March 2021. The Group continues to carefully apply the use of proceeds to match with the operational scale, complexity of new projects and the expansion of the business.

Due to the outbreak of Coronavirus disease pandemic (“**COVID-19**”) since January 2020, the construction industry in Hong Kong had been adversely affected. The Group expects that the utilisation of the proceeds will span thru a longer timeline than original planned under the current business environment as there is still uncertainty in the extent and duration of the impact of the COVID-19 on the construction industry and the Hong Kong economy as a whole. The expected timeline for utilising the remaining proceeds will be subject to change based on the current and future development of market conditions.

The unutilised Net Proceeds have been placed in the short-term demand deposits with licensed banks in Hong Kong.

## **INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The Board did not recommend the payment of an interim dividend for the Period (Previous Period: nil).

## **EVENTS AFTER THE PERIOD**

There was no significant event after the Period and up to the date of this announcement.

## CONTINUING CONNECTED TRANSACTION

On 7 July 2020, Anhui Zhongzhihuan Construction Engineering Co., Ltd\* (“**Anhui Zhongzhihuan Construction**”), an indirect wholly owned subsidiary of the Company and Linquan Zhongzhihuan Property Development Limited\* (臨泉中之環置業有限公司) (“**Linquan Zhongzhihuan Property**”) entered into a construction services agreement, pursuant to which Anhui Zhongzhihuan Construction has agreed to act as contractor to provide construction services for 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 to Linquan Zhongzhihuan Property with an aggregate amount of service fee of not more than RMB132.72 million (inclusive of value-added tax) from time to time for the period commencing on 27 December 2020 until 31 December 2022. On 27 August 2020, such continuing connected transaction was approved by independent shareholders at the extraordinary general meeting of the Company.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company had applied the principles and all applicable code provisions (the “**Code Provisions**”) set out under the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) during the Period and up to the date of this announcement. The Directors will periodically review the Company’s corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time.

During the Period and up to the date of this announcement, the Company had complied with all the applicable Code Provisions of the CG Code, except for Code Provision A.2.1 of the CG Code as explained below:

Mr. Yu Zhuyun was appointed as the chief executive officer of the Company (the “**CEO**”) with effect from 30 April 2020, and is currently serving as both the chairman of the Board (the “**Chairman**”) and the CEO. Such practice deviates from Code Provision A.2.1 of the CG Code. The Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group’s business strategies and enhance its operational efficiency. The Board is currently comprised of two executive Directors, two non-executive Directors and three independent non-executive Directors, which is appropriately structured to ensure that there is a balance of power to provide sufficient checks to protect the interests and the shareholders of the Company. Therefore, the Board considers that the deviation from Code Provision A.2.1 of the CG Code is appropriate in such circumstance.

\* English translation of the name of a Chinese company is provided for identification purpose only.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules as the Company’s code of conduct for Directors’ securities transactions. In response to specific enquires by the Company, all Directors have confirmed that they have fully complied with the requirements set out in the Model Code during the Period and up to the date of this announcement.

The senior management and staff have been individually notified and advised about the Model Code by the Company.

## DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be maintained pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follow:

### (i) Long position in the ordinary shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares held/ interested	Percentage of Issued Share Capital
Mr. Yu Zhuyun	Interest in controlled corporation (Note)	776,066,000	73.49%

*Note:* These 776,066,000 Shares are held by Central Culture Resource Group Limited, which is wholly owned by Mr. Yu Zhuyun. Pursuant to a share charge dated 2 July 2021, Central Culture Resource Group Limited charged 760,320,000 Shares in favour of Huatai Financial Holdings (Hong Kong) Limited and Chiyu Banking Corporation Limited.

**(ii) Long position in the ordinary shares of an associated corporation**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/Nature of Interest</b>	<b>Number of shares held/ Interested</b>	<b>Percentage of Issued Share Capital</b>
Mr. Yu Zhuyun	Central Culture Resource Group Limited ( <i>Note</i> )	Beneficial owner	50,000	100%

*Note:* Pursuant to a share charge dated 2 July 2021, Mr. Yu Zhuyun charged all the issued shares of Central Culture Resource Group Limited in favour of Huatai Financial Holdings (Hong Kong) Limited and Chiyu Banking Corporation Limited.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2021, so far as is known to the Directors, the following person (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be maintained by the Company pursuant to section 336 of the SFO:

<b>Name of Shareholder</b>	<b>Capacity/ Nature of Interest</b>	<b>Number of Shares held/ Interest</b>	<b>Percentage of Issued Share Capital</b>
Central Culture Resource Group Limited ( <i>Note</i> )	Beneficial Owner	776,066,000	73.49%

*Note:* Central Culture Resource Group Limited is wholly owned by Mr. Yu Zhuyun. Pursuant to a share charge dated 2 July 2021, Central Culture Resource Group Limited charged 760,320,000 Shares in favour of Huatai Financial Holdings (Hong Kong) Limited and Chiyu Banking Corporation Limited.

**SHARE OPTION SCHEME**

Pursuant to the written resolutions of the sole shareholder of the Company on 13 March 2018, the Company adopted a share option scheme (the “**Share Option Scheme**”) with effect from 13 March 2018. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group and to promote the business of the Group. As at the date of this announcement, the total number of Shares available for issue under the Share Option Scheme was 105,600,000 Shares, representing 10% of the entire issued share capital of the Company. No share option has been granted, exercised, cancelled or lapsed since its effective date and up to the date of this announcement.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the Period and up to the date of this announcement.

## **COMPETING INTERESTS**

The Directors confirm that none of the controlling shareholder of the Company or the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the Period and up to the date of this announcement, and that is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the Period and up to the date of this announcement.

## **AUDIT COMMITTEE**

The Company established the audit committee (the "**Audit Committee**") on 13 March 2018 in accordance with Rule 3.21 of the Listing Rules with the written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules.

The Audit Committee consists of a non-executive Director, namely Mr. Qiao Xiaoge, and two independent non-executive Directors, namely Mr. Wang Wenxing and Dr. Li David Xianglin. Mr. Wang Wenxing currently serves as the chairperson of the Audit Committee.

The primary responsibilities of the Audit Committee include: (i) to make recommendations to the Board on the appointment, reappointment and removal of external auditors; (ii) to review and monitor the external auditors' independence and objectivity; (iii) to review the effectiveness of the Company's internal audit activities, internal controls and risk management systems; (iv) to develop and implement policies on engaging external auditor to supply non-audit services, and to review and monitor the extent of the non-audit works undertaken by external auditors; and (v) to monitor the integrity of the financial statements, annual reports, accounts and half-year reports and to review significant financial reporting judgments contained in them.

## **REVIEW OF INTERIM FINANCIAL RESULTS**

The interim financial results of the Group for the Period are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is available for viewing on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chghk.com](http://www.chghk.com)). The interim report of the Company for the Period containing all information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**Central Holding Group Co. Ltd.**  
**Yu Zhuyun**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 30 August 2021

*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 and Ms. Zhu Yujuan; and the independent non-executive Directors are Dr. Li David Xianglin, Mr. Wang Wenxing and Dr. Zhou Chunsheng.*