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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- The Group’s revenue for the nine months ended 31 December 2020 amounted to approximately HK\$373.5 million (for year ended 31 March 2020: approximately HK\$180.4 million).
- Loss attributable to the owners of the Company for the nine months ended 31 December 2020 amounted to approximately HK\$0.75 million (for the year ended 31 March 2020: approximately HK\$12.7 million).
- Basic and diluted loss per Share for the nine months ended 31 December 2020 amounted to approximately HK cents 0.07 (year ended 31 March 2020: approximately HK cents 1.20 (restated)).
- Earnings before interest, taxes, depreciation, and amortization for the nine months ended 31 December 2020 amounted to a profit of approximately HK\$7.32 million (year ended 31 March 2020: a loss of approximately HK\$7.75 million).
- The Board did not recommend the payment of a final dividend for the nine months ended 31 December 2020 (year ended 31 March 2020: nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Central Holding Group Co. Ltd. (the “**Company**”) is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the nine months ended 31 December 2020 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 March 2020 (the “**Previous Reporting Year**”) as follows:

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

For the nine months ended 31 December 2020

		Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
	<i>Notes</i>		
Revenue	3	373,527	180,447
Direct costs		(368,301)	(173,320)
Gross profit		5,226	7,127
Other income and net gains	3	3,207	4,347
Gain on fair value changes of investment properties		35,703	5,375
Selling expenses		(3,857)	–
Administrative and other operating expenses		(36,326)	(27,381)
Finance costs		(76)	(18)
Profit/(loss) before income tax	4	3,877	(10,550)
Income tax expense	5	(4,529)	(2,137)
Loss for the period/year		(652)	(12,687)
Other comprehensive income/(expense) <i>Items that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences arising on translation of foreign operations		2,390	(98)
Other comprehensive income/(expense) for the period/year, net of tax		2,390	(98)
Total comprehensive income/(expense) for the period/year attributable to owners of the Company		1,738	(12,785)
Loss for the period/year attributable to:			
Owners of the Company		(749)	(12,687)
Non-controlling interests		97	–
		(652)	(12,687)

	Nine months ended 31 December 2020	Year ended 31 March 2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive income/(expense) for the period/year attributable to:		
Owners of the Company	1,636	(12,785)
Non-controlling interests	102	–
	<u>1,738</u>	<u>(12,785)</u>
	<i>HK Cents</i>	<i>HK Cents (Restated)</i>
Loss per share attributable to owners of the Company		
— Basic and diluted loss per share	6	
	<u>(0.07)</u>	<u>(1.20)</u>

Details of dividends are disclosed in Note 7.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	31 December 2020 HK\$'000	31 March 2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		20,873	10,186
Right-of-use assets		13,260	604
Investment properties		71,149	25,717
Intangible assets		4,115	3,625
Deposit and prepayment for life insurance policy		3,136	3,074
		<u>112,533</u>	<u>43,206</u>
Current assets			
Properties under development for sale		66,914	–
Contract assets		167,611	62,769
Trade and other receivables	8	78,809	52,650
Tax recoverable		863	1,327
Cash and bank balances		53,757	114,462
		<u>367,954</u>	<u>231,208</u>
Total assets		<u><u>480,487</u></u>	<u><u>274,414</u></u>
EQUITY			
Capital and reserves			
Share capital		2,640	2,640
Reserves		159,715	158,074
		<u>162,355</u>	<u>160,714</u>
Equity attributable to owners of the Company		162,355	160,714
Non-controlling interests		102	–
		<u>162,457</u>	<u>160,714</u>
Total equity		<u>162,457</u>	<u>160,714</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		6,555	168
Liabilities for long service payments		820	876
Deferred tax liabilities		6,348	2,602
		<u>13,723</u>	<u>3,646</u>

		31 December	31 March
		2020	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Contract liabilities		76,865	–
Trade and other payables	9	175,295	29,466
Lease liabilities		1,765	450
Amounts due to related companies		49,087	79,719
Tax payables		1,295	419
		<u>304,307</u>	<u>110,054</u>
Total liabilities		<u>318,030</u>	<u>113,700</u>
Total equity and liabilities		<u>480,487</u>	<u>274,414</u>
Net current assets		<u>63,647</u>	<u>121,154</u>
Total assets less current liabilities		<u>176,180</u>	<u>164,360</u>

NOTES

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 “**Shares**”) have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 29 March 2018. As at 31 December 2020, 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 (“**Mr. Yu**”), 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 in Hong Kong 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) of foundation works and superstructure building works in Hong Kong and the People’s Republic of China (the “**PRC**”); (ii) property development and investment; (iii) property management; (iv) trading of construction materials; (v) health and wellness; and (vi) smart logistic and information system in the PRC.

The financial year end date of the Company and the Group has been changed from 31 March to 31 December to align the financial year end date of the Company with that of its subsidiaries. Accordingly, the current accounting period covers a period of nine months from 1 April 2020 to 31 December 2020. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income and related notes cover a period of twelve months from 1 April 2019 to 31 March 2020 are therefore not entirely comparable with those of the current period.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the current period and prior year presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2.2 Changes in accounting policies and disclosures

(i) *Amendments to HKFRSs that are mandatorily effective for the current period*

In the current period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current period had no material impact on the Group's financial positions and performance for the current period and prior years and/or on the disclosures set out in these consolidated financial statements.

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*.

The Group has applied the amendment for the first time in the current period. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 April 2020 and had no material impact on the Group's financial positions and performance for the current period.

(ii) *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:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

The Directors anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION

Revenue, other income and net gains recognised during the current period and prior year are as follows:

	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Revenue		
Foundation works and superstructure building works	189,032	177,801
Property management	5,867	–
Trading of construction materials	119,496	–
Health and wellness	58,500	–
Logistics services and information technology development	632	2,646
	<u>373,527</u>	<u>180,447</u>
Other income and net gains		
Interest income	108	190
Gain on disposal of property, plant and equipment	–	120
Government grants	2,010	–
Operating lease income — machinery and equipment	914	3,875
Sundry income	175	162
	<u>3,207</u>	<u>4,347</u>

During the current period, the Group recognised government grants of approximately HK\$2,010,000 of which approximately HK\$1,745,000 in respect of Covid-19-related subsidies, related to Employment Support Scheme provided by the Hong Kong government, the grants were recognised when the required employment conditions were fulfilled, and there were no unfulfilled conditions for the government grants of approximately HK\$265,000.

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 and etc;
- (iv) Trading of construction materials — Trading of construction materials includes building steels, cement, building sand and stone;
- (v) Health and wellness — provision of health and wellness services, which include the healthcare consulting and sales of healthcare products and healthy food;
- (vi) Smart logistic and information system — provision of logistics services and information technology development.

The Group has introduced additional segments of (i) property management; (ii) trading of construction materials; (iii) health and wellness; and (iv) smart logistic and information system during the Reporting Period.

Following the changes of reporting segment from three to six during the Reporting Period, the comparative segment information has been reclassified.

Segment revenue and results

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

For the nine months ended 31 December 2020

	Foundation works and superstructure building works HK\$'000	Property development and investment HK\$'000	Property management HK\$'000	Trading of construction materials HK\$'000	Health and wellness HK\$'000	Smart logistic and information system HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE								
Revenue from external customers	189,032	-	5,867	119,496	58,500	632	-	373,527
Inter-segment sales	56,551	-	-	-	-	-	(56,551)	-
	<u>245,583</u>	<u>-</u>	<u>5,867</u>	<u>119,496</u>	<u>58,500</u>	<u>632</u>	<u>(56,551)</u>	<u>373,527</u>
RESULT								
Segment profit/(loss)	<u>6,121</u>	<u>34,393</u>	<u>(1,502)</u>	<u>723</u>	<u>575</u>	<u>619</u>	-	<u>40,929</u>
Other income and net gains								3,207
Unallocated corporation expenses								(40,183)
Finance costs								(76)
Profit before income tax								<u>3,877</u>

For the year ended 31 March 2020

	Foundation works and superstructure building works HK\$'000	Property development and investment HK\$'000	Smart logistic and information system HK\$'000	Total HK\$'000
REVENUE				
Revenue from external customers	<u>177,801</u>	<u>-</u>	<u>2,646</u>	<u>180,447</u>
RESULT				
Segment profit	<u>5,374</u>	<u>5,375</u>	<u>1,753</u>	12,502
Other income and net gains				4,347
Unallocated corporation expenses				(27,381)
Finance cost				(18)
Loss before income tax				<u>(10,550)</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 prior year.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit from each segment without allocation of other income and net 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

	31 December 2020 HK\$'000	31 March 2020 HK\$'000 (Restated)
Segment assets		
Foundation works and superstructure building works	230,867	124,087
Property development and investment	149,983	27,912
Property management	10,502	–
Trading of construction materials	10,913	1,749
Health and wellness	1,686	–
Smart logistic and information system	2,693	1,331
	<hr/>	<hr/>
Total segment assets	406,644	155,079
Unallocated corporate assets	73,843	119,335
	<hr/>	<hr/>
Consolidated total assets	480,487	274,414
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Foundation works and superstructure building works	154,974	25,380
Property development and investment	66,847	75,172
Property management	19,584	–
Trading of construction materials	5,808	1,997
Health and wellness	954	–
Smart logistic and information system	128	1,315
	<hr/>	<hr/>
Total segment liabilities	248,295	103,864
Unallocated corporate liabilities	69,735	9,836
	<hr/>	<hr/>
Consolidated total liabilities	318,030	113,700
	<hr/> <hr/>	<hr/> <hr/>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than deposit 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.

Geographical information

The Group's operations are located in both Hong Kong and the PRC.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Hong Kong	90,324	177,801	18,573	10,210
The PRC	283,203	2,646	90,824	29,922
	<u>373,527</u>	<u>180,447</u>	<u>109,397</u>	<u>40,132</u>

Note: Non-current assets excluded deposit and prepayment for life insurance policy.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Customer I ¹	N/A ³	53,390
Customer II ¹	N/A ³	38,661
Customer III ¹	N/A ³	19,669
Customer IV ¹	80,705	N/A ³
Customer V ²	47,536	N/A ³

¹ Revenue from foundation works and superstructure building works.

² Revenue from trading of construction materials.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective period and year.

4. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Auditors' remuneration	1,360	1,600
Depreciation of property, plant and equipment	2,676	2,675
Depreciation of right-of-use assets	797	299
Provision for/(reversal of) impairment losses on trade receivables	759	(18)
Provision for impairment losses on contract assets	497	22
Provision for impairment losses on other receivables and deposits	252	37
Rental expense from short-term leases	1,701	1,759
Covid-19-related rent concessions	(96)	–
Staff costs (including directors' emoluments)	<u>30,147</u>	<u>25,213</u>

5. INCOME TAX EXPENSE

	Nine months ended 31 December 2020 <i>HK\$'000</i>	Year ended 31 March 2020 <i>HK\$'000</i>
Hong Kong Profits Tax		
— Current tax	—	99
— Over-provision in prior year	—	(6)
The PRC Enterprise Income Tax		
— Current tax	1,045	429
Deferred tax	<u>3,484</u>	<u>1,615</u>
Income tax expense	<u><u>4,529</u></u>	<u><u>2,137</u></u>

6. LOSS PER SHARE

	Nine months ended 31 December 2020	Year ended 31 March 2020 (Restated)
Loss attributable to owners of the Company	<u>749</u>	<u>12,687</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	<u>1,056,000</u>	<u>1,056,000</u>
Basic loss per share (HK cent)	<u>0.07</u>	<u>1.20</u>

The weighted average number of ordinary shares for the purpose of basic loss per share for the period ended 31 December 2020 has been adjusted for the share subdivision on 5 August 2020 as if they have taken place since the beginning of the period.

The comparative figures for the basic loss per share for the year ended 31 March 2020 are restated to take into account of the effect of the above share subdivision during the year retrospectively as if they have taken place since the beginning of the comparative year.

No diluted loss per share is presented for both current period and prior year as there was no potential ordinary share outstanding.

7. DIVIDENDS

No dividend was proposed or paid by the Board for the nine months ended 31 December 2020 (year ended 31 March 2020: Nil).

8. TRADE AND OTHER RECEIVABLES

	31 December 2020 HK\$'000	31 March 2020 HK\$'000
Trade receivables	38,025	27,907
Less: Provision for impairment losses on trade receivables	(802)	(5)
	<u>37,223</u>	<u>27,902</u>
Other receivables, deposits and prepayments	41,902	24,808
Less: Provision for impairment losses on other receivables and deposits	(316)	(60)
	<u>41,586</u>	<u>24,748</u>
	<u>78,809</u>	<u>52,650</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 generally between 7 to 90 days.
- (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:

	31 December 2020 HK\$'000	31 March 2020 HK\$'000
0–30 days	29,811	16,096
31–60 days	3,308	2,095
61–90 days	273	6,273
Over 90 days	4,633	3,443
	<u>38,025</u>	<u>27,907</u>

9. TRADE AND OTHER PAYABLES

	31 December 2020 HK\$'000	31 March 2020 HK\$'000
Trade payables	149,343	16,303
Accruals and other payables	25,952	13,163
	<u>175,295</u>	<u>29,466</u>

Notes:

- (a) Payment terms granted by suppliers are generally between 7 to 90 days from the invoice date of the relevant purchases.
- (b) The ageing analysis of trade payables based on the invoice date is as follows:

	31 December 2020 HK\$'000	31 March 2020 HK\$'000
0–30 days	56,750	11,860
31–60 days	15,795	1,884
61–90 days	68,125	879
Over 90 days	8,673	1,680
	<u>149,343</u>	<u>16,303</u>

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 has become tough and the Group's superstructure and construction gross profit and gross profit margin will continue to be under pressure from low bidding price on the tenders, which will in turn affect the business performance of the Group. Mr. Yu Zhuyun, the ultimate controlling shareholder of the Company will further leverage his personal background and management experience in various industries including real estate development, commercial property leasing, environmentally friendly construction, cultural and creative industries, smart logistics and trade development, as well as health and wellness industries in the PRC, to explore related business opportunities.

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 is aiming to further expand its construction business in the PRC and explore in a diverse range of related businesses in the PRC, such as real estate development, commercial property leasing, environmentally friendly construction, cultural and creative business, property management, smart logistics and trade development, as well as health and wellness business.

The Group believes that the development of upstream and downstream related chain of businesses will bring synergy, effectiveness and greater customer satisfaction, as well as strengthen the revenue base of the Group.



As at 31 December 2020, the Group has six main segments, which are (i) foundation works and superstructure building works, (ii) property development and investment properties business, (iii) property management services, (iv) trading of construction materials, (v) health and wellness services, and (vi) smart logistic and information system. 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

Facing the challenges including the increased competition, low bidding tender price and limited market potential in Hong Kong, the Group will be prudent in managing superstructure and construction business operations in Hong Kong. During the Reporting Period, the Group had further expanded its construction business in the PRC and exploring business opportunities outside Hong Kong in order to minimise possible exposure to the uncertainties in the Hong Kong market.

During the nine months ended 31 December 2020, the revenue from the superstructure and construction segment was approximately HK\$189.0 million (year ended 31 March 2020: approximately HK\$177.8 million), which accounted for approximately 50.6% (year ended 31 March 2020: approximately 98.6%) of the Group's total revenue. The increase was mainly due to addition construction and building works of Huai Yuan Project and Liquan Project in the PRC the during the Reporting Period.

Property development and investment properties business

Quzhou — Rural and wellness Project

As at 31 December 2020, the Group has a new development project in Quzhou City, Zhejiang, the PRC, comprising of hotel, condominium and bungalows with the theme of “Rural and Wellness Complex”. The total site area of the project is approximately 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 leasing to generate rental income in future.

Property management services

On 10 November 2020, Central Bauhinia Property Services (Shenzhen) Co. Ltd. (“**Central Bauhinia**”), an indirect wholly-owned subsidiary of the Group, entered into an agreement with Hefei Zhongheng Property Co. Ltd (“**HZ Property**”). HZ Property is an entity indirect wholly-owned by Mr. Yu, the controlling shareholder of the Group and therefore is a connected person of the Group. Pursuant to the agreement, Central Bauhinia conditionally agreed to acquire and HZ Property conditionally agreed to sell the entire equity interest in Anhui Zhong Gang Property Service Co. Ltd.* (the “**Acquisition**”) at a total consideration of RMB3 million (equivalent to approximately HK\$3.51 million). The Acquisition would enable the Group to expand its 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. For more detailed information, please refer to Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associates Companies.

Property management services include security, cleaning, greening, gardening, repair and maintenance, etc. As at 31 December 2020, Gross Floor Area (“**GFA**”) under management provided by the Group was approximately 1.809 million sq.m and the revenue from the property management business segment was approximately HK\$5.9 million (year ended 31 March 2020; nil), which accounted for approximately 1.6% (year ended 31 March 2020: nil) of the Group's total revenue.

Trading of construction materials

Trading of construction materials includes building steels, cement, building sand and stone. The Group believes that the development of construction materials business will bring synergy, effectiveness and strengthen the revenue base of the Group.

During the nine months ended 31 December 2020, the revenue from the trading of construction materials business increased by approximately HK\$119.5 million (year ended 31 March 2020: nil), which accounted for approximately 32% (year ended 31 March 2020: nil) of the Group's total revenue.

Health and wellness services

According to the statistical data of “China's big health industry strategic planning and enterprise strategy consultation report” released by PRC Research Institute, the scale of China's big health industry has reached RMB8.2 trillion in 2019. It is preliminarily estimated that the scale of China's big health industry will break through RMB10 trillion in 2020. In 2019 to 2023, the average annual compound growth rate is estimated to be about 12.55%, and it is predicted that the scale of China's big health industry will reach RMB14.09 trillion in 2023.

The emergence of the concept of “big health” includes medical services, drugs, medical equipment, wearable health equipment, physical therapy, beauty, health food, health testing, health care, healthy home, organic agriculture and etc. It is the new support of the fifth wave of economic wave after the IT industry.

The Group is aiming to further expand its health and wellness business in the PRC and seeks to obtain higher returns and greater business opportunities. During the nine months ended 31 December 2020, the revenue from the health and wellness business increased by approximately HK\$58.5 million (year ended 31 March 2020: nil), which accounted for approximately 15.7% (year ended 31 March 2020: nil) of the Group's total revenue.

Smart logistic and information system

Increasingly, more customers are relying on network information on new products and services, it is vital to expand our presence to develop smart logistic services and information technology services in order to strengthen the revenue base of the Group.

During the nine months ended 31 December 2020, the revenue generated from the smart logistic and information system segment was approximately HK\$0.6 million (year ended 31 March 2020: HK\$2.6 million), which is accounted for approximately 0.2% (year ended 31 March 2020: 1.4%) of the Group's total revenue.

FUTURE PLANS AND PROSPECTS

At present, China's food and beverage (“F&B”) industry has a huge market, with an annual revenue of more than RMB47 trillion. Looking ahead, with the synergistic smart logistic advantages of the Group and agriculture base resources of Central Culture Resource Group Limited located in Xingtianpu (“新田鋪”), Zhejiang Province, the PRC, the Group is aiming to further expand the supply chain business of agriculture products, food and beverage materials in 2021, which included but not limited to the F&B Stores opening, construction and design of stores, F&B logistic services, F&B brand management, training and consulting services.

The Group is devoted to provide a more efficient supply chain of food and beverage materials that combined with internet, systematic digital model and smart logistic services to store customers. The design of supply chain will mainly focus on minimizing the comprehensive cost of F&B materials, systematic materials distribution services, materials purchasing management services and Software-as-a Service (“SAAS”) to store customers.

The Group believes that the development of agriculture products and F&B material supply chain of businesses and SAAS services will bring synergy, and effectiveness, as well as increase the revenue base of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Reporting Period amounted to approximately HK\$373.5 million, i.e. about 107% more than that of approximately HK\$180.4 million for the Previous Reporting Year. The improvement was primarily due to the combined effect of: (i) net increased in revenue from the foundation works and superstructure building works segment which amounted to approximately HK\$11.2 million as a result of new construction and building works of Huai Yuan Project (“懷遠”) and Liquan Project (“臨泉”) in the PRC; (ii) increased revenue from the trading of construction materials segment which amounted to approximately HK\$119.5 million which was driven by strong growth in sales volume of construction materials during the period (year ended 31 March 2020: Nil); (iii) increased revenue from the health and wellness segment which amounted to approximately HK\$58.5 million (year ended 31 March 2020: Nil), and (iv) increase revenue from property management segment accounted for approximately HK\$5.9 million as a result of acquisition of property management company on 10 November 2020.

	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Foundation works and superstructure building works	189,032	177,801
Property management	5,867	–
Trading of construction materials	119,496	–
Health and wellness	58,500	–
Smart logistic and information system	632	2,646
	373,527	180,447

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Period amounted to approximately HK\$5.2 million, representing a decrease of approximately 26.7% as compared to the Previous Reporting Year. The decrease was mainly due to the decrease in revenue as a result of the outbreak of COVID-19 and the increase in direct cost associated with the unexpected complexity arising from the Group's construction works in Hong Kong (the "Construction Works") during the Reporting Period. The complexity of the Construction Works involved, among others, (i) the discovery of additional underground utilities despite prior site inspection; and (ii) additional requirements in excavation and lateral support planning. As a result, the Construction Works have been prolonged and/or varied and the Group's direct cost increased.

Other Income and Net Gains

The Group's other income and net gains for the Reporting Period amounted to approximately HK\$3.2 million, representing an decrease of approximately 25.6% compared with approximately HK\$4.3 million for the Previous Reporting Year. The decrease was mainly attributable to the decrease in machinery rental income of approximately HK\$3 million during the Reporting Period.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the Reporting Period amounted to approximately HK\$36.3 million, representing an increase of approximately 32.5% compared with approximately HK\$27.4 million for the Previous Reporting Year. The increase was mainly due to the costs for the recruitment of new staff as a result of development of new business segments during the Reporting Period.

Income Tax Expense

The Group's income tax expense increased by approximately 114.3% from approximately HK\$2.1 million for the Previous Reporting Year to approximately HK\$4.5 million for the Reporting Period. Such increase was mainly due to the deferred tax expenses on land appreciation tax of investment property of approximately HK\$3.5 million. However, such increase was partially offset by the decrease in gross profit for the Reporting Period.

Net Loss

The Group reported a net loss for the Reporting Period of approximately HK\$652,000, while the Group reported a net loss of approximately HK\$12.7 million for the Previous Reporting Year, the decrease in net loss is mainly attributable to the increase in gain on fair value changes of investment properties during the Reporting Period.

Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”)

Non-HKFRS measures are to supplement the Group’s financial results which are presented in accordance with HKFRSs. EBITDA is used as an additional financial measure. The Group believes that non-HKFRS measures provide useful information to investors and others to understand and evaluate the Group’s consolidated results for the purpose of comparison across accounting periods and with those of our peer companies.

The following table sets forth the Group’s non-HKFRSs financial data for the Reporting Period and the Previous Reporting Year:

	Nine months ended 31 December 2020 HK\$’000	Year ended 31 March 2019 HK\$’000
Loss for the Period/year	(652)	(12,687)
Interest income	(108)	(190)
Finance costs	76	18
Taxation	4,529	2,137
Depreciation	<u>3,473</u>	<u>2,974</u>
EBITDA	<u><u>7,318</u></u>	<u><u>(7,748)</u></u>

EBITDA for the Reporting Period amounted to a profit of approximately HK\$7.32 million, representing increase of 194.5% compared with a loss of approximately HK\$7.75 million for the Previous Reporting Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Reporting Period, the Group funded its liquidity and capital requirements primarily through capital contributions and cash inflow generated from operating activities.

As at 31 December 2020, the Group had cash and bank balances of approximately HK\$53.8 million (31 March 2020: approximately HK\$114.5 million). The decrease was mainly due to the payment for the new development and investment properties project in Quzhou City, Zhejiang, the PRC.

As at 31 December 2020, the share capital and equity attributable to owners of the Company amounted to approximately HK\$2.6 million and HK\$159.7 million, respectively (31 March 2020: approximately HK\$2.6 million and HK\$160.7 million, respectively).

The current ratio decreased from 2.1 times as at 31 March 2020 to 1.2 times as at 31 December 2020 mainly due to increase in trade and other payables during the Reporting Period.

Foreign Exchange Risk

The Group mainly operates in Hong Kong and has commenced new operations in the PRC in 2020. 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 since 2020.

Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associates Companies

On 10 November 2020, Central Bauhinia, an indirect wholly-owned subsidiary of the Group, entered into an agreement with HZ Property, pursuant to which Central Bauhinia conditionally agreed to acquire and HZ Property conditionally agreed to sell the entire equity interest in Anhui Zhong Gang Property Service Co. Ltd.* (the “**Acquisition**”). HZ property is an entity indirect wholly-owned by Mr. Yu, the controlling shareholder of the Group and therefore is a connected person of the Group. Accordingly, the Acquisition constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules.

The total consideration for the Acquisition (the “**Consideration**”) is RMB3 million (equivalent to approximately HK\$3.51 million). 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.

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.

For details, please refer to the announcement of the Company dated 10 November 2020.

Save as disclosed hereinabove, during the Reporting Period, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies.

EMPLOYEES

The Group had 382 employees (including full-time and casual employees who are paid on a daily basis) as at 31 December 2020 (31 March 2020: 64). Total staff costs including Directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave for the Reporting Period amounted to approximately HK\$30.1 million (the Previous Reporting Year: approximately HK\$25.2 million). The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and job training programs, salary increment and discretionary bonuses may be awarded to employees upon approval by the Board according to the Group's operating results, individual performance and market situation.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2020 and 31 March 2020.

CONTINGENT LIABILITIES

Our subsidiaries are involved in a number of potential claims relating to employees' compensation cases and personal injuries claims as well as summonses for safety-related incidents in the ordinary course of business as at the date of this announcement. The Directors considered that the possibility of any outflow in settling (i) the potential personal injuries claims was remote as these claims were well covered by insurance; and (ii) the summonses will be insignificant to the business of the Group. Accordingly, no provision for the contingent liabilities in respect of the potential personal injuries claims and the summonses is necessary after due consideration of each case.

USE OF PROCEEDS FROM THE LISTING

The Shares have been listed on the Main Board of the Stock Exchange since 29 March 2018 (the “**Listing Date**”). The total net proceeds (the “**Net Proceeds**”) from the initial public offering amounted to approximately HK\$73.5 million. The Net Proceeds were applied by the Group in accordance with the disclosure as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 19 March 2018 (the “**Prospectus**”). The below table sets out the planned use of the Net Proceeds, the actual use of the Net Proceeds from the Listing Date and up to 31 December 2020 and the unused amount of the Net Proceeds as at 31 December 2020:

	Planned use of the Net Proceeds <i>HK\$'000</i>	Actual use of the Net Proceeds from the Listing Date and up to 31 December 2020 <i>HK\$'000</i>	Unused amount of the Net Proceeds as at 31 December 2020 <i>HK\$'000</i>
Hiring of additional staff	11,600	4,999	6,601
Acquisition of additional machinery and equipment	54,900	19,506	35,394
General working capital	7,000	7,000	–
Total	73,500	31,505	41,995

The Net Proceeds that were not applied immediately have been placed in the short-term demand deposits with licensed banks in Hong Kong as at the date of this announcement.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Reporting Period (the Previous Reporting Year: nil).

EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE CODE

The Company had applied the principles and all the applicable code provisions (the “**Code Provisions**”) as set out under the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Listing Rules during the Reporting 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 Reporting 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 (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 of the Company and the Shareholders. Therefore, the Board considers that the deviation from Code Provision A.2.1 of the CG Code is appropriate in such circumstance.

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 set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as its 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 Reporting 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.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole Shareholder 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 had been granted, exercised, cancelled or lapsed since the effective date of the Share Option Scheme 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 Reporting Period and up to the date of this announcement.

COMPETING INTERESTS

The Directors have confirmed that none of the controlling Shareholders 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 Reporting 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.

AUDIT COMMITTEE REVIEW

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

The Group’s consolidated financial statements for the Reporting Period have been reviewed and approved by the Audit Committee. The Audit Committee 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 disclosure has been made.

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 had maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the Reporting Period and up to the date of this announcement.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the “AGM”) of the Company will be held on Friday, 18 June 2021. A notice convening the AGM will be issued and sent to the Shareholders in due course in the manner required under the Listing Rules. The register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021 (both dates inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 June 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.chghk.com. The annual report of the Company for the Reporting Period containing all information required by the Listing Rules will be despatched to the Shareholders and will be published on the websites of both 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, 26 March 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.