

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Central Holding Group Co. Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE ENTERING INTO OF
THE CONSTRUCTION SERVICES AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



Draco Capital Limited

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Chanceton Capital Partners Limited

Unless the context otherwise requires, capitalised terms used on this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 16 of this circular and a letter from the Independent Board Committee is set out on page 17 of this circular. A letter of advice from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 38 of this circular.

The notice convening the EGM of Central Holding Group Co. Ltd. to be held at Office 5509, 55th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 27 August 2020 at 10:00 a.m. is set out in this circular.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish.

This circular together with the form of proxy are also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chghk.com).

Considering the outbreak of the coronavirus (COVID-19), certain measures will be implemented at the EGM with a view to addressing the risk to attendees of infection, including, without limitation:

- (i) all attendees being required to (a) undergo compulsory body temperature check; and (b) wear surgical masks prior to admission to the EGM venue;
- (ii) all attendees being required to wear surgical masks throughout the EGM;
- (iii) each attendee being assigned a designated seat at the time of registration to ensure social distancing; and
- (iv) no refreshment packs or coffee/tea being provided.

The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the EGM (if any).

10 August 2020

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	17
Letter from the Independent Financial Adviser	18
Appendix — General Information	39
Notice of Extraordinary General Meeting	EGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Anhui Zhongzhihuan Construction”	Anhui Zhongzhihuan Construction Engineering Co., Ltd* 安徽中之環建築工程有限公司, a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company;
“Annual Caps”	the annual caps for the transactions contemplated under the Construction Services Agreement, being RMB43,451,000, RMB66,299,000 and RMB22,970,000 for the period from the Effective Date to 31 December 2020 and the two years ending 31 December 2022 respectively;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Chanceton Capital” or “Independent Financial Adviser”	Chanceton Capital Partners Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps;
“Company”	Central Holding Group Co. Ltd., a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 1735);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Construction Project”	the construction project of “Linquan 70mu Central Street”* (臨泉70畝中環街項目) with approximately 54,000 sq.m. located in Linquan, Anhui Province, the PRC;
“Construction Services Agreement”	the agreement dated 7 July 2020 entered into between Linquan Zhongzhihuan Property and Anhui Zhongzhihuan Construction, pursuant to which the Group has agreed to act as contractor to provide construction services for the Construction Project to Linquan Zhongzhihuan Property from time to time for the period commencing on the Effective Date until 31 December 2022;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Effective Date”	within 15 days upon the Construction Services Agreement having become effective after fulfilment of all conditions precedent;

DEFINITIONS

“EGM”	the extraordinary general meeting to be convened at Office 5509, 55th Floor, The Center, 99 Queen’s Road Central, Central, Hong Kong on Thursday, 27 August 2020 at 10:00 a.m. by the Company for the Independent Shareholders to consider and, if thought fit, approve the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board (comprising all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps;
“Independent Shareholders”	Shareholders who are not interested in the Construction Services Agreement and are not required under the Listing Rules to abstain from voting at the EGM to approve the same, the transactions contemplated thereunder and the Annual Caps;
“Independent Third Party(ies)”	party(ies) who is/are independent of and not connected (within the meaning of the Listing Rules) with the Company and its connected persons;
“Latest Practicable Date”	7 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Linquan Zhongzhihuan Property”	Linquan Zhongzhihuan Property Development Limited* (臨泉中之環置業有限公司), a company incorporated in the PRC and indirect wholly-owned by Mr. Yu;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Yu”	Yu Zhuyun, the Chairman, Chief Executive Officer and an executive Director;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the share(s) of the Company;

DEFINITIONS

“Stock Exchange” The Stock Exchange of Hong Kong Limited;

“%” per cent.

For the purpose of this circular, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1 to HK\$1.11.

* *For identification purposes only*

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Yu Zhuyun (*Chairman and Chief Executive Officer*)
Mr. Li Menglin

Non-executive Directors:

Mr. Qiao Xiaoge
Mr. Gao Jian
Ms. Zhu Yujuan

Independent Non-executive Directors:

Dr. Li David Xianglin
Mr. Wang Wenxing
Dr. Zhou Chunsheng

Registered Office:

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

*Headquarters and Principal Place
of Business in Hong Kong:*

Office 5509, 55th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

10 August 2020

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE ENTERING INTO OF
THE CONSTRUCTION SERVICES AGREEMENT
AND
NOTICE OF EGM**

1. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information in respect of certain resolutions to be proposed at the EGM to be held on 27 August 2020.

References are made to the announcement of the Company dated 7 July 2020 in relation to the entering into of the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps. The purpose of this circular is to provide you with, among other things, (i) details of the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of EGM.

LETTER FROM THE BOARD

2. CONSTRUCTION SERVICES AGREEMENT

On 7 July 2020 (after trading hours), Anhui Zhongzhihuan Construction, an indirect wholly owned subsidiary of the Company and Linqan Zhongzhihuan Property entered into the Construction Services Agreement, pursuant to which Anhui Zhongzhihuan Construction has agreed to act as contractor to provide construction services for the Construction Project to Linqan 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 the Effective Date until 31 December 2022.

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

Date : 7 July 2020

Parties : (a) Linqan Zhongzhihuan Property
(b) Anhui Zhongzhihuan Construction

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

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

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

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

LETTER FROM THE BOARD

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

The contract sum payable under each of the Individual Contracts will be determined by the bills of quantities (工程量清單), which would be calculated based on, among others, the actual construction area, the number of labour, the types, specifications, quantity and quality of the construction materials set out in the construction budget of each service which is estimated by Anhui Zhongzhihuan Construction according to the construction design and plan provided by Linquan Zhongzhihuan Property and would be reviewed by the land supervisory unit* (地塊監理單位) (the “**Land Supervisory Unit**”), an Independent Third Party engaged by Linquan Zhongzhihuan Property in compliance with the regulations and provisions promulgated by Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部) (MOHURD) which possesses the qualification certificate for construction service supervision* (工程監理資質證書) and the qualification certificate for construction costs advisory enterprise (工程造價諮詢企業資質證書) and is responsible for controlling and management of the quality, progress and costing of the Construction Project, and the respective market prices of labour and construction materials with reference to the standards and guidance on the relevant rates and fees set out in, among others, the Code of Bills of Quantities and Valuation for Construction Works in Anhui Province, the PRC* 《安徽省建設工程工程量清單計價規範》(DBJ34/T-206-2005) (the “**Code of BOQ**”) in which, among others, (i) the labour cost is prescribed to be adjusted in accordance with relevant policies promulgated by governmental authorities, among others, Department of Urban-Rural Development of Anhui Province (安徽省住房和城鄉建設廳) of the PRC; and (ii) the main construction materials, civil engineering materials, decoration materials and installation materials are made with reference to Fuyang City Construction Costs Information Price* 《阜陽市工程造價信息價》 (“**Fuyang Information Price**”) issued by Fuyang Construction Engineering Costs Management Association (阜陽市建築工程造價管理協會) and approved by Fuyang Construction Engineering Costs Management Station (阜陽市建設工程造價管理站), which is under management of Bureau of Urban-Rural Development of Fuyang City (阜陽市城鄉建設局); and (iii) prices are confirmed through market enquiries with not less than 3 enquiries by both parties and would also be reviewed by the Land Supervisory Unit for those constructions materials not specified in the Code of BOQ.

LETTER FROM THE BOARD

Each of the final contract sums shall be finalised after the completion of each of the construction works, subject to, if any, further price adjustments to be made in accordance with the terms of adjustment as adopted by the parties under each of the Individual Contracts and examined by the Land Supervisory Unit. Such price adjustments will be subject to, among others,

- (i) changes in laws, administrative regulations and relevant national policies in the PRC which affect the terms and conditions relating to pricing of the Individual Contracts;
- (ii) price adjustments announced by relevant governmental authorities governing the construction cost in the PRC;
- (iii) over 8 hours of work suspension caused by the suspension of water supply, power supply or gas supply which is not attributable to Anhui Zhongzhihuan Construction within a week's time; and
- (iv) any other factors agreed by the parties.

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

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

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

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

LETTER FROM THE BOARD

- (iii) The signing of the Construction Services Agreement by the legal representatives of Linquan Zhongzhihuan Property and Anhui Zhongzhihuan Construction with their respective official company stamps.

For (ii) above, as at the Latest Practicable Date, none of the reviews, filings, consents, waivers, approvals, authorizations and/or clearances has been obtained. It is expected that a filing has to be completed at Ministry of Housing and Urban-Rural Development of Linquan, the PRC* (臨泉縣住房和城鄉建設局) before the Construction Services Agreement becomes effective. Save for (iii), none of the above conditions precedent has been fulfilled as at the Latest Practicable Date.

3. ANNUAL CAPS

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

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

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

LETTER FROM THE BOARD

The Construction Project is a commercial property project located at Qianjin Road in Linquan, Anhui Province, the PRC with a construction area of approximately 54,000 sq.m. The construction works of the Construction Project shall commence upon the Construction Services Agreement becoming effective, which is expected to be in the third quarter of 2020 and is expected to be completed in the second quarter of 2022. The development schedule of the Construction Project is set out as follows:

	Types of construction services	Nature of Construction services	Total Contract Sum (RMB)	Expected Completion Sum For the year ending 31 December		
				2020	2021	2022
1	Pile Foundation	Pile foundation for buildings	4,845,000	2,601,000	2,244,000	—
2	Civil engineering	External wall thermal insulation works, door and window works for buildings	12,384,000	4,477,000	7,907,000	—
3	Installation	Railing works, floodlighting works, elevator installation works, fire protection works and intelligent engineering works	7,809,000	1,428,000	3,151,000	3,230,000
4	Civil engineering & installation	Main body construction and installation works for buildings	68,200,000	27,807,000	40,393,000	—
5	Decoration	External wall decoration works for buildings	19,742,000	7,138,000	12,604,000	—
6	Earthworks & outdoor works	Drainage and sewage works, gardening works for buildings	19,740,000	—	—	19,740,000
Total			<u>132,720,000</u>	<u>43,451,000</u>	<u>66,299,000</u>	<u>22,970,000</u>

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

After discussing with the management of Linquan Zhongzhihuan Property and Anhui Zhongzhihuan Construction on the background and examining the development schedule of the Construction Project, the Directors consider the Annual Caps under the Construction Services Agreement fair and reasonable.

4. REASONS FOR AND BENEFITS OF THE CONSTRUCTION SERVICES AGREEMENT

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

In November 2019, the Group acquired the entire equity interest of Anhui Zhongzhihuan Construction, from an Independent Third Party at cash consideration of RMB2,520,000 (equivalent to approximately HK\$2,805,000), which was incorporated in the PRC in December 2018 and owns The Construction Enterprise Qualification Certificate* (建築業企業資質證書) in the PRC with validity period until August 2024. Given that Anhui Zhongzhihuan

LETTER FROM THE BOARD

Construction possesses the necessary qualifications and/or licenses to engage in the provision of construction services, the entering into of the Construction Services Agreement allows the Group to expand its business into the construction industry in the PRC by engaging in the Construction Project in Anhui Province, the PRC.

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

5. FUTURE PLAN AND UPDATE ON THE ON-GOING AND POTENTIAL PROJECTS OF THE GROUP

The Directors confirm that the Group will continue its existing businesses and operations of foundation works, superstructure building works and other construction works in Hong Kong. Meanwhile, the Group is actively exploring business and investment opportunities in the PRC by leveraging the experience, expertise and network of the management of the Group, particularly in the real estate development and environmentally friendly construction industries in the PRC. The entering into of the Construction Services Agreement represents an important step for the implementation of the current business plan and broadening the revenue source of the Group.

As at the Latest Practicable Date, the Group has fourteen on-going and completed construction contracts (the “Existing Projects”) with a total contract sum of approximately HK\$460.4 million which are expected to contribute to the Group’s revenue for the years ending 31 December 2020, 2021 and 2022. Set out below are the details of the Existing Projects:

Project No.	Project Nature	Project Location	Total Contract Sum (HK\$)	Expected Contract Sum for the year ending 31 December			Completion/ Expected Completion Date
				2020	2021	2022	
1	Main contract works for residential development	Hong Kong	23,964,805	Suspended due to change of design	3,928,696	—	expected to be completed in 4th quarter of 2021
2	Main contract works for residential development	Hong Kong	72,920,953	9,094,608	7,292,095	—	expected to be completed in 4th quarter of 2021
3	Main contract works for commercial development	Hong Kong	133,200,000	13,130,411	—	—	expected to be completed in 3rd quarter of 2020
4	Main contract works for residential building	Hong Kong	52,800,000	31,543,000	13,200,000	—	expected to be completed in 2nd quarter of 2021
5	Foundation, pile cap and excavation and lateral support (“ELS”) works for residential development	Hong Kong	14,800,000	7,246,000	—	—	expected to be completed in 3rd quarter of 2020

LETTER FROM THE BOARD

Project No.	Project Nature	Project Location	Total Contract Sum (HK\$)	Expected Contract Sum for the year ending 31 December			Completion/ Expected Completion Date
				2020	2021	2022	
6	Site formation, ELS and foundation works for residential redevelopment	Hong Kong	23,380,000	10,916,000	—	—	expected to be completed in 3rd quarter of 2020
7	Main contract works for residential development	Hong Kong	66,800,000	5,592,632	—	—	terminated in March 2020
8	Piling, ELS, earthworks and pile cap works for a hospital	Hong Kong	50,999,998	29,044,365	20,399,999	—	expected to be completed in 3rd quarter of 2021
9	Piling works at a university	Hong Kong	11,000,000	11,000,000	—	—	expected to be completed in 3rd quarter of 2020
10	Lift works at a theme park	Hong Kong	95,000	95,000	—	—	completed
11	Supply and installation of soldier pile wall for additional reference wall at a police station	Hong Kong	1,480,000	1,480,000	—	—	expected to be completed in 3rd quarter of 2020
12	Hoarding and demolition works	Hong Kong	7,006,200	4,694,154	2,312,046	—	expected to be completed in 2021
13	Slope maintenance works at a hospital	Hong Kong	330,850	330,850	—	—	expected to be completed in 2020
14	Modification works	Hong Kong	1,642,800	1,642,800	—	—	completed
		Total	<u>460,420,606</u>	<u>125,719,820</u>	<u>47,132,836</u>	<u>—</u>	

As at the Latest Practicable Date, the Group has five potential construction contracts (the “**Potential Projects**”) submitted for tenders and currently under consideration by clients, with a total contract sum of approximately HK\$426.8 million which are expected to contribute to the Group’s revenue for the years ending 31 December 2020, 2021 and 2022. Set out below the details of the Potential Projects.

No.	Project nature	Location	Relationship between the potential customer and the Company	Expected Contract Sum (HK\$)	Expected revenue (HK\$)		
					For the year ending 31 December 2020	2021	2022
1	Demolition works for residential development	Hong Kong	Independent third party	5,980,000	—	5,980,000	—
2	Foundation works for residential development	Hong Kong	Independent third party	156,680,000	—	134,200,000	22,480,000
3	Foundation works for commercial development	Hong Kong	Independent third party	33,918,000	—	31,300,000	2,618,000
4	Foundation & site formation works for residential development	Hong Kong	Independent third party	136,875,700	—	68,437,850	68,437,850
5	Foundation works for a university	Hong Kong	Independent third party	<u>93,364,000</u>	<u>—</u>	<u>74,690,000</u>	<u>18,674,000</u>
		Total		<u>426,817,700</u>	<u>—</u>	<u>314,607,850</u>	<u>112,209,850</u>

Note: The above Potential Projects are still under the process of tendering and/or being considered by clients and therefore the above Potential Projects and expected revenue may or may not materialize.

LETTER FROM THE BOARD

After taking account into (a) the Existing Projects and (b) the Potential Projects which are assumed to be secured successfully after tenders/negotiations, the Company's expected percentage of revenue attributable to the Construction Services Agreement as compared to the projected revenue in respect of the construction service segment of the Group for each of the three years ending 31 December 2020, 2021 and 2022 would be approximately 27.7%, 16.9% and 18.5% respectively.

Although the Group has continuously been affected by the unexpected outbreak of COVID-19 Pandemic and the negative impacts and market sentiments brought by the pandemic in 2020, 4 construction service contracts with a total contract sum of approximately HK\$10.5 million have been awarded by Independent Third Parties clients in Hong Kong since 31 March 2020. The award of the abovementioned contracts is in line with the Group's strategy and direction of development to continue with its existing businesses and operations of foundation works, superstructure building works and other construction works in Hong Kong whilst exploring business and investment opportunities in the PRC leveraging the experience, expertise and network of the management of the Group, particularly in the real estate development and environmentally friendly construction industries in the PRC.

Given the Existing Projects will be completed in 2020 and 2021, the Group has been actively participating in tenders and negotiations with property developers, contractors and sub-contractors who are Independent Third Parties to the best of the knowledge and information of the Directors for potential construction contracts in both Hong Kong and the PRC. As at the Latest Practicable Date, there are 5 submitted tenders with an aggregate potential contract sum of approximately HK\$426.8 million which are currently being responded and considered by Independent Third Party clients. Although the winning of the tenders would be subject to various factors, among others, competitors, macro economy, the development of the COVID-19 Pandemic and may or may not materialize, the Directors consider it is highly unlikely that the Group would fail to secure any other construction contracts with Independent Third Parties other than the Construction Services Agreement for the financial year ending 31 December 2020, 2021 and 2022 based on the track record of the Group's engagement in the construction industry in the recent years.

Reference is also made to the announcement of the Company dated 31 October 2019 in relation to the acquisition of the land use rights of a land parcel in Quzhou City, Zhejiang Province (the "**Land**"). As at the Latest Practicable Date, the Land is under commercial development and is expected to be completed by the end of 2021. The expected revenue generated from the sales of commercial and residential premises of the Land of approximately RMB100–150 million would be recognised in the year ending 31 December 2022 and the Directors consider it would further diversify the income source of the Group and reduce the reliance of its business on the controlling shareholder. For the avoidance of doubt, given the expected revenue of the Land is not in the nature of the provision of construction services, it is not taken account into the calculation of the abovementioned expected percentage of revenue attributable to the Construction Services Agreement to the projected revenue in respect of the Group's construction service segment for each of three years ending 31 December 2020, 2021 and 2022 respectively.

LETTER FROM THE BOARD

Having considered the abovementioned factors and the Company's expected percentage of revenue attributable to the Construction Services Agreement as compared to the projected total revenue of the Group in respect of the construction service segment of the Group for each of the three years ending 31 December 2020, 2021 and 2022 set out above, the Directors consider the Group's reliance on the transactions under the Construction Services Agreement and its controlling shareholder is not extreme. In addition, the Company would adopt internal control measures to monitor the business development of the Group in the PRC and Hong Kong and ensure that the expected revenue contribution to the Group from the Construction Services Agreement would be limited to less than 50% for the year ending 31 December 2020, 2021 and 2022 respectively.

6. INTERNAL CONTROL

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

- (i) the finance department of the Company will closely monitor and record the actual transaction amounts of the continuing connected transactions under the Construction Services Agreement to ensure that the Annual Caps will not be exceeded;
- (ii) the management of Anhui Zhongzhihuan Construction will review the Code of BOQ and review and update the Fuyang Information Price internally on a monthly basis to ensure the construction budget comprising the bills of quantities of each construction service, in particular, the pricing of labour and construction materials, is in line with the market norms and is not less favourable than the terms with Independent Third Parties for each of the Individual Contracts and shall report and complain to relevant governmental authorities and not to enter into such Individual Contract if there is any irregularities in the review of the bills of quantities and construction budget by the Land Supervisory Unit;
- (iii) the management of Anhui Zhongzhihuan Construction will collect, prepare and submit the construction design and plans, budgets, bills of quantities and status reports to the management of the Company before entering into Individual Contracts. The finance department of the Company will prepare, update and analyse the revenue projection ("**Revenue Projection**") of the Construction Project according to the submitted construction plans and budgets, bills of quantities, status reports, estimated contract sum and payment terms of each construction service of the Construction Project;
- (iv) the finance department of the Company shall analyse the Revenue Projection with the expected revenue of the business of the Group from Independent Third Parties before execution of each Individual Contract and shall alert the management of the Company should there is a potential risk of expected revenue contribution to the Group from the Construction Service Agreement exceeding 50% of the total revenue of the Company for the years ending 31 December 2020, 2021, 2022 respectively;

LETTER FROM THE BOARD

- (v) the Individual Contract, and the updated Revenue Projection will be submitted to the management of the Company for modification, final review and approval before execution of each Individual Contract;
- (vi) Anhui Zhongzhihuan Construction shall alert the finance department and management of the Company if they notice or foresee any significant change in progress and amount of work which may lead to the Annual Caps being exceeded in the future;
- (vii) the Company's auditor will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually and confirm whether (a) the transactions under the Construction Services Agreement have been approved by the Board; (b) the transactions were entered into in accordance with the Construction Services Agreement; and (c) the Annual Caps have not been exceeded; and
- (viii) the independent non-executive Directors will perform annual review (which are subject to the annual review and disclosure requirements under the Listing Rules) to confirm the transactions under the Construction Services Agreement are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Construction Services Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

7. INFORMATION OF LINQUAN ZHONGZHIHUAN PROPERTY

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

8. LISTING RULES IMPLICATIONS

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

LETTER FROM THE BOARD

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

9. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Li David Xianglin, Mr. Wang Wenxing and Mr. Zhou Chunsheng, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to (i) whether the terms of the Construction Services Agreement and the Annual Caps are fair and reasonable; (ii) whether the Construction Services Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of the business of the Group; (iii) whether the transactions contemplated under the Construction Services Agreement are in the interests of the Company and the Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders. Chanceton Capital Partners Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

10. EGM

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

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

The notice convening the EGM of Central Holding Group Co. Ltd. to be held at Office 5509, 55th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 27 August 2020 at 10:00 a.m. is set out in this circular. Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish.

LETTER FROM THE BOARD

In order to qualify for the right to attend and vote at the EGM or any adjournment thereof, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, 21 August 2020.

11. RECOMMENDATION

The Independent Board Committee, having considered the advice from the Independent Financial Adviser, considers that (i) the terms of the Construction Services Agreement and the Annual Caps are fair and reasonable; (ii) the Construction Services Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of the business of the Group; and (iii) the transactions contemplated under the Construction Services Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee has recommended the Independent Shareholders to vote in favour of the resolutions in respect of the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps to be proposed at the EGM. The Directors (excluding the Directors who had abstained from voting on the relevant board resolutions) consider that (i) the terms of the Construction Services Agreement and the Annual Caps are fair and reasonable; (ii) the Construction Services Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of the business of the Group; and (iii) the transactions contemplated under the Construction Services Agreement are in the interests of the Company and the Shareholders as a whole, and as such, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps at the EGM.

12. GENERAL

Whether the Construction Services Agreement would become effective is subject to the necessary approval of the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps having been obtained from the Independent Shareholders. As such, the Construction Services Agreement may or may not materialise. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares of the Company.

13. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in (i) the letter from the Independent Board Committee; (ii) the letter of advice from the Independent Financial Adviser; and (iii) the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Central Holding Group Co. Ltd.
Li Menglin
Executive Director

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)

10 August 2020

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE ENTERING INTO OF
THE CONSTRUCTION SERVICES AGREEMENT AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of Central Holding Group Co. Ltd. (the “**Company**”) dated 10 August 2020 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Construction Services Agreement, details of which are set out in the letter from the Board in the Circular. Chanceton Capital Partners Limited has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the same.

Having considered the information set out in the letter from the Board as well as the major factors, reasons and opinion stated in the letter of advice from the Independent Financial Adviser, we concur with the opinion of the Independent Financial Adviser that (i) the terms of the Construction Services Agreement and the Annual Caps are fair and reasonable; (ii) the Construction Services Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of the business of the Group; and (iii) the transactions contemplated under the Construction Services Agreement are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,
the Independent Board Committee of
Central Holding Group Co. Ltd.

Dr. Li David Xianglin

Mr. Wang Wenxing

Dr. Zhou Chunsheng

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders for inclusion in this circular.



10 August 2020

*To: The Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

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

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Construction Services Agreement, the transactions contemplated thereunder and the Annual Caps which constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules (the “**Transactions**”), details of which are disclosed in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 10 August 2020, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. IMPLICATIONS ON THE LISTING RULES

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

Mr. Yu, who is the Chairman, an executive Director and a controlling shareholder of the Company, has abstained from voting on the relevant board resolutions of the Company. Central Culture Resource Group Limited, which is directly holding 75% of the issued share capital of the Company and is wholly owned by Mr. Yu, will be required to abstain from voting on the relevant shareholders' resolutions of the Company at the EGM.

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

III. THE INDEPENDENT BOARD COMMITTEE

The EGM will be convened by the Company for the Independent Shareholders to consider, and if thought fit, approve the Transactions together with the Annual Caps. To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for Mr. Yu and his associates, no other Shareholder has a material interest in the Transactions, such that he or she or it shall abstain from voting at the EGM on the resolution to approve the Transactions.

The Independent Board Committee comprising all three independent non-executive Directors, namely Dr. Li David Xianglin, Mr. Wang Wenxing and Dr. Zhou Chunsheng, has been established to advise the Independent Shareholders as to (i) whether the terms of the Transactions and the Annual Caps are fair and reasonable; (ii) whether the Transactions are on normal commercial terms or better and in the ordinary and usual course of the business of the Group; (iii) whether the Transactions are in the interests of the Company and the Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders.

We, Chanceton Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Transactions, for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IV. OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or Linquan Zhongzhihuan Property that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company or Linquan Zhongzhihuan Property. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

V. BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group, Linquan Zhongzhihuan Property and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date.

We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group and Linquan Zhongzhihuan Property made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Company, Linquan Zhongzhihuan Property and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Transactions and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering (i) whether the terms of the Transactions and the Annual Caps are fair and reasonable; (ii) whether the Transactions are on normal commercial terms or better and in the ordinary and usual course of the business of the Group; (iii) whether the Transactions are in the interests of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below:

1. Information on the Group and Anhui Zhongzhihuan Construction

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

Anhui Zhongzhihuan Construction is an indirect wholly-owned subsidiary of the Company. It was incorporated in the PRC and owns a construction licence in the PRC.

2. Information on Linquan Zhongzhihuan Property

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

3. Principal terms of the Construction Services Agreement

Date: 7 July 2020

Parties: (a) Linquan Zhongzhihuan Property

(b) Anhui Zhongzhihuan Construction

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Subject matter:** Anhui Zhongzhihuan Construction will act as contractor to provide construction services to the Construction Project of Linqan Zhongzhihuan Property in the PRC from time to time. The Group shall enter into individual construction contracts (the “**Individual Contracts**”) with Linqan Zhongzhihuan Property for the provision of construction services by the Group as the contractor subject to terms and conditions of the Construction Services Agreement at fair and reasonable market prices. Such construction services shall include, among others, civil engineering, installation, decoration, pile foundation, earthworks and outdoor works. For the avoidance of doubt, construction works relating to water supply, power supply and gas supply of the Construction Project shall not be included in the Construction Services Agreement.
- Term:** From the Effective Date to 31 December 2022 (both dates inclusive)
- Service Fees and Pricing basis:** The final construction service fees (subject to adjustments) under the Construction Services Agreement shall be determined by the contract sum payable under each of the Individual Contracts and shall in aggregate be not more than RMB132.72 million (inclusion of value-added tax).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The contract sum payable under each of the Individual Contracts will be determined by the bills of quantities (工程量清單), which would be calculated based on, among others, the actual construction area, the number of labour, the types, specifications, quantity and quality of the construction materials set out in the construction budget of each service estimated by Anhui Zhongzhihuan Construction according to the construction plan provided by Linqun Zhongzhihuan Property, which would be reviewed and examined by the land supervisory unit* (地塊監理單位), an Independent Third Party engaged by Linqun Zhongzhihuan Property in compliance with the regulations and provisions promulgated by Ministry of Housing and Urban- Rural Development of the PRC (中國住房和城鄉建設部) (MOHURD) which possesses the qualification certificate for construction service supervision* (工程監理資質證書) and the qualification certificate for construction costs advisory enterprise (工程造價諮詢企業資質證書) and is responsible for controlling and management of the quality, progress and costing of the Construction Project, and the respective market prices of labour and construction materials with reference to the standards and guidance on the relevant rates and fees set out in, among others, the Code of Bills of Quantities and Valuation for Construction Works in Anhui Province, the PRC* 《安徽省建設工程工程量清單計價規範》(DBJ34/T-206-2005) (the “**Code of BOQ**”) in which, among others, (i) the labour cost is prescribed to be adjusted in accordance with relevant policies promulgated by governmental authorities, among others, Department of Urban-Rural Development of Anhui Province (安徽省住房和城鄉建設廳) of the PRC; and (ii) the main construction materials, civil engineering materials, decoration materials and installation materials are made reference with to Fuyang City Construction Costs Information Price* 《阜陽市工程造價信息價》(the “**Fuyang Information Price**”) issued by Fuyang Construction Engineering Costs Management Association (阜陽市建築工程造價管理協會) and approved by Fuyang Construction Engineering Costs Management Station (阜陽市建設工程造價管理站), which is under management of Bureau of Urban-Rural Development of Fuyang City (阜陽市城鄉建設局); and (iii) prices are confirmed through market enquiries with not less than 3 enquiries by both parties and would also be reviewed by the Land Supervisory Unit for those constructions materials not specified in the Code of BOQ.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Each of the final contract sums shall be finalised after the completion of the construction project, subject to, if any, further price adjustments to be made in accordance with the terms of adjustment as adopted by the parties (the “**Price Adjustments**”) under each of the Individual Contracts and examined by the Land Supervisory Unit. Such price adjustments will be subject to, among others,

- (i) changes in laws, administrative regulations and relevant national policies in the PRC which affect the terms and conditions relating to pricing of the Individual Contracts;
- (ii) price adjustments announced by relevant governmental authorities governing the construction cost in the PRC;
- (iii) over 8 hours of works suspension caused by the suspension of water supply, power supply or gas supply which is not attributable to Anhui Zhongzhihuan Construction within a week’s time; and
- (iv) any other factors agreed by the parties.

Payment terms:

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

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

Conditions precedent:

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) All reviews, filings, consents, waivers, approvals, authorizations and clearances, if any, from any relevant governmental or regulatory authority or any relevant third party that are necessary for entering into and performance of the Construction Services Agreement having been obtained; and
- (iii) The signing of the Construction Services Agreement by the legal representatives of Linquan Zhongzhihuan Property and Anhui Zhongzhihuan Construction with their respective official company stamps.

Further details of the principal terms of the Construction Services Agreement are set out in the Letter from the Board.

4. Reasons for and benefits of entering into the Construction Services Agreement

As disclosed in the annual report of the Group for the year ended 31 March 2020 (the “**Annual Report**”), after the introduction of Mr. Yu as the new controlling Shareholder in October 2019, it is envisaged that the Group will, by leveraging the experience and resources of Mr. Yu, be able to broaden the scope, scale and geographic coverage of its operations and bring favourable growth and rewards to the Company and the Shareholders in the medium and long term.

It was further stated in the Annual Report that 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, 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, smart logistics and trade development, as well as health and wellness business. The Group believes that the future development of upstream and downstream related businesses will bring synergy, effectiveness and greater customer satisfaction, as well as strengthen the revenue base of the Group.

With reference to the Letter from the Board, in November 2019, the Group acquired the entire equity interest of Anhui Zhongzhihuan Construction, from an Independent Third Party at cash consideration of RMB2,520,000 (equivalent to approximately HK\$2,805,000), which was incorporated in the PRC in December 2018 and owns The Construction Enterprise Qualification Certificate* (建築業企業資質證書) (the “**Construction Certificate**”) in the PRC with validity period until August 2024. Given that Anhui Zhongzhihuan Construction possesses the necessary qualifications and/or licenses to engage in the provision of construction services, the entering into of the Construction Services Agreement allows the Group to expand its business into the construction industry in the PRC by engaging in the Construction Project in Anhui Province, the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For our assessment, we have obtained and reviewed the Construction Certificate and the list and background of senior managements of Anhui Zhongzhihuan Construction (the “**Senior Management**”), we noted that the eight Senior Managements have 8 to 28 years industry experience in the field of construction and property development in the PRC, among which three of them also possess the qualification and expertise as an engineer in the PRC. Taking into account the Construction Certificate and the backgrounds of the Senior Management, we are of the view that Anhui Zhongzhihuan Construction possesses necessary qualifications, experience and expertise in providing construction services in the PRC.

As disclosed in the Letter from the Board, as at the Latest Practicable Date, the Group has fourteen on-going and completed construction contracts (the “**Existing Projects**”) with a total contract sum of approximately HK\$460.4 million which are expected to contribute to the Group’s revenue for the years ending 31 December 2020, 2021 and 2022. Set out below are the details of the Existing Projects:

Project No.	Project Nature	Project Location	Total Contract Sum (HK\$)	Expected Contract Sum for the year ending 31 December		Completion/ Expected Completion Date
				2020	2021	
1	Main contract works for residential development	Hong Kong	23,964,805	Suspended due to change of design	3,928,696	— expected to be completed in 4th quarter of 2021
2	Main contract works for residential development	Hong Kong	72,920,953	9,094,608	7,292,095	— expected to be completed in 4th quarter of 2021
3	Main contract works for commercial development	Hong Kong	133,200,000	13,130,411	—	— expected to be completed in 3rd quarter of 2020
4	Main contract works for residential building	Hong Kong	52,800,000	31,543,000	13,200,000	— expected to be completed in 2nd quarter of 2021
5	Foundation, pile cap and excavation and lateral support (“ ELS ”) works for residential development	Hong Kong	14,800,000	7,246,000	—	— expected to be completed in 3rd quarter of 2020
6	Site formation, ELS and foundation works for residential redevelopment	Hong Kong	23,380,000	10,916,000	—	— expected to be completed in 3rd quarter of 2020
7	Main contract for residential development	Hong Kong	66,800,000	5,592,632	—	— terminated in March 2020
8	Piling, ELS, earthworks and pile cap works for a hospital	Hong Kong	50,999,998	29,044,365	20,399,999	— expected to be completed in 3rd quarter of 2021

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Project No.	Project Nature	Project Location	Total Contract Sum (HK\$)	Expected Contract Sum for the year ending 31 December			Completion/Expected Completion Date
				2020	2021	2022	
9	Piling works at a university	Hong Kong	11,000,000	11,000,000	—	—	expected to be completed in 3rd quarter of 2020
10	Lift works at a theme park	Hong Kong	95,000	95,000	—	—	completed
11	Supply and installation of soldier pile wall for additional reference wall at a police station	Hong Kong	1,480,000	1,480,000	—	—	expected to be completed in 3rd quarter of 2020
12	Hoarding and demolition works	Hong Kong	7,006,200	4,694,154	2,312,046	—	expected to be completed in 2021
13	Slope maintenance works at a hospital	Hong Kong	330,850	330,850	—	—	expected to be completed in 2020
14	Modification works	Hong Kong	<u>1,642,800</u>	<u>1,642,800</u>	<u>—</u>	<u>—</u>	completed
		Total	<u>460,420,606</u>	<u>125,719,820</u>	<u>47,132,836</u>	<u>—</u>	

As at the Latest Practicable Date, the Group has five potential construction contracts (the “**Potential Projects**”) submitted for tenders and currently under consideration by clients, with a total contract sum of approximately HK\$426.8 million which are expected to contribute to the Group’s revenue for the years ending 31 December 2020, 2021 and 2022. Set out below the details of the Potential Projects:

Project No.	Project Nature	Location	Relationship between the potential customer and the Company	Expected Contract Sum (HK\$)	Expected revenue (HK\$) for the year ending 31 December		
					2020	2021	2022
1	Demolition works for residential development	Hong Kong	Independent third party	5,980,000	—	5,980,000	—
2	Foundation works for residential development	Hong Kong	Independent third party	156,680,000	—	134,200,000	22,480,000
3	Foundation works for commercial development	Hong Kong	Independent third party	33,918,000	—	31,300,000	2,618,000
4	Foundation & site formation works for residential development	Hong Kong	Independent third party	136,875,700	—	68,437,850	68,437,850

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Project No.	Project Nature	Location	Relationship between the potential customer and the Company	Expected Contract Sum (HK\$)	Expected revenue (HK\$) for the year ending 31 December		
					2020	2021	2022
5	Foundation works for a university	Hong Kong	Independent third party	93,364,000	—	74,690,000	18,674,000
			Total	<u>426,817,700</u>	<u>—</u>	<u>314,607,850</u>	<u>112,209,850</u>

Note: The above Potential Projects are still under the process of tendering and/or being considered by clients and therefore the above Potential Projects and expected revenue may or may not materialize.

After taking account into (i) the Existing Projects and (ii) the Potential Projects which are assumed to be secured successfully after tenders/negotiations, the Company's expected percentage of revenue attributable to the Construction Services Agreement as compared to the projected revenue in respect of the construction service segment of the Group for each of the three years ending 31 December 2020, 2021 and 2022 would be approximately 27.7%, 16.9% and 18.5% respectively (the "**Directors' Assessment**").

Although the Group has continuously been affected by the unexpected outbreak of COVID-19 Pandemic and the negative impacts and market sentiments brought by the pandemic in 2020, 4 construction service contracts with contract sum of approximately HK\$10.5 million have been awarded by Independent Third Parties clients in Hong Kong since 31 March 2020. The award of the abovementioned contracts is in line with the Group's strategy and direction of development to continue with its existing businesses and operations of foundation works, superstructure building works and other construction works in Hong Kong whilst exploring business and investment opportunities in the PRC leveraging the experience, expertise and network of the management of the Group, particularly in the real estate development and environmentally friendly construction industries in the PRC.

Given the Existing Projects will be completed in 2020 and 2021, the Group has been actively participating in tenders and negotiations with property developers, contractors and sub-contractors who are Independent Third Parties to the best of the knowledge and information of the Directors for potential construction contracts in both Hong Kong and the PRC. As at the Latest Practicable Date, there are 5 submitted tenders with an aggregate potential contract sum of approximately HK\$426.8 million which are currently being responded and considered by Independent Third Party clients. Although the winning of the tenders would be subject to various factors, among others, competitors, macro economy, the development of the COVID-19 Pandemic and may or may not materialize, the Directors consider it is highly unlikely that the Group would fail to secure any other construction contracts with Independent Third Parties other than the Construction Services Agreement for the financial year ending 31 December 2020, 2021 and 2022 based on the track record of the Group's engagement in the construction industry in the recent years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors also made reference to the announcement of the Company dated 31 October 2019 in relation to the acquisition of the land use rights of a land parcel in Quzhou City, Zhejiang Province (the “**Land**”). As at the Latest Practicable Date, the Land is under commercial development and is expected to be completed by the end of 2021. The expected revenue generated from the sales of commercial and residential premises of the Land of approximately RMB100-150 million would be recognised in the year ending 31 December 2022 and the Directors consider it would further diversify the income source of the Group and reduce the reliance of its business on the controlling shareholder. For the avoidance of doubt, given the expected revenue of the Land is not in the nature of the provision of construction services, it is not taken account into the calculation of the abovementioned expected percentage of revenue attributable to the Construction Services Agreement to the projected revenue in respect of the Group’s construction service segment for each of three years ending 31 December 2020, 2021 and 2022 respectively.

Having considered the abovementioned factors and the Company’s expected percentage of revenue attributable to the Construction Services Agreement as compared to the projected total revenue of the Group in respect of the construction service segment of the Group for each of the three years ending 31 December 2020, 2021 and 2022 set out above, the Directors consider the Group’s reliance on the Transactions and its controlling shareholder is not extreme. In addition, the Company would adopt internal control measures to monitor the business development of the Group in the PRC and Hong Kong and ensure that the expected revenue contribution to the Group from the Construction Services Agreement would be limited to less than 50% for the year ending 31 December 2020, 2021 and 2022 respectively.

As discussed with the Directors, in formulating the expected revenue from Existing Projects, the Directors have assumed that, (i) the fourteen Existing Projects will be completed according to their latest plan and time schedule; and (ii) there will be no price adjustment on the fourteen Existing Projects upon completion.

In assessing the fairness and reasonableness on the above basis and assumptions considered by the Directors, we have discussed with the Directors regards the matters and noted that (i) other than there is one construction project has been suspended due to change of design and one construction project has been terminated, the progress of the other twelve Existing Projects have not been deviated from their latest plan and time schedule; and (ii) the price adjustment, if occurs, would have insignificant effect on the revenue based on the past experience of the management of the Company. Taking into account the above factors, we are of the view that the basis and assumptions made by the Directors above in regard of the expected revenue from Existing Contracts are fair and reasonable.

As further discussed with the management of the Company, in arriving the expected revenue from Potential Projects, the Directors have assumed all the five Potential Projects would be successfully secured by the Group. We noted that the employers of Potential Projects 2, 4 and 5 are the recurring clients of the Group, the management of the Company further explained that the recurring relationships with the employers would

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

facilitate the Company in securing the Potential Projects 2, 4 and 5. In view of this, we have performed a sensitivity analysis on the Directors' Assessment, in such that we have recalculated the Company's expected percentage of revenue attributable to the Construction Services Agreement as compared to the projected revenue in respect of the construction service segment of the Group for each of the three years ending 31 December 2020, 2021 and 2022 by excluding the expected revenue from Potential Projects 1 and 3, where the employers thereof are new potential clients to the Group:

Projects	Expected revenue (HK\$)		
	for the year ending 31 December		
	2020	2021	2022
Existing Projects	125,719,820	47,132,836	—
Construction Project	48,230,610	73,591,890	25,496,700
Potential Project 2	—	134,200,000	22,480,000
Potential Project 4	—	68,437,850	68,437,850
Potential Project 5	—	74,690,000	18,674,000
	<u>173,950,430</u>	<u>398,052,576</u>	<u>135,088,550</u>
Total	<u>173,950,430</u>	<u>398,052,576</u>	<u>135,088,550</u>
Percentage of revenue attributable to the Construction Services Agreement to expected revenue			
	27.7%	18.5%	18.9%

After taking account into (i) the Existing Projects; and (ii) the Potential Projects (excluding Potential Projects 1 and 3), the Company's expected percentage of revenue attributable to the Construction Services Agreement as compared to the projected revenue in respect of the construction service segment of the Group for each of the three years ending 31 December 2020, 2021 and 2022 would be approximately 27.7%, 18.5% and 18.9% respectively, which are still below 50%. In view of the above, we are of the view that the Directors' Assessment above is fair and reasonable, and we concur with the view of the Directors that the Group's reliance on the Transactions and its controlling shareholder is not extreme.

Having considered that, (i) Anhui Zhongzhihuan Construction possesses the necessary qualifications and/or licenses to engage in construction projects in the PRC; (ii) Linquan Zhongzhihuan Property is principally engaged in property development, sales and leasing; (iii) the Transactions will further expand the Group's construction business in the PRC by leveraging the experience and resources of Mr. Yu; (iv) the Annual Caps, if approved, would facilitate the transactions contemplated under the Construction Services Agreement for the years ending 31 December 2020, 2021 and 2022 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; (v) the entering into of the Construction Services Agreement will strengthen the income stream of the Group; and (vi) it is considered that the Group's reliance on the Transactions and its controlling

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

shareholder is not extreme, we concur with the Directors' view that the transactions contemplated under the Construction Services Agreement are in the interests of the Company and the Shareholders as a whole.

5. Pricing basis and internal control procedures

As disclosed in the Letter from the Board, in respect of the Transactions under the Construction Services Agreement, the contract sum payable under each of the Individual Contracts will be determined by the bills of quantities (工程量清單), which would be calculated based on, among others, the actual construction area, the number of labour, the types, specifications, quantity and quality of the construction materials set out in the construction budget of each service estimated by Anhui Zhongzhihuan Construction according to the construction plan provided by Linquan Zhongzhihuan Property, which would be reviewed and examined by the Land Supervisory Unit and the respective market prices of labour and construction materials with reference to the standards and guidance on the relevant rates and fees set out in, among others, the Code of Bills of Quantities and Valuation for Construction Works in Anhui Province, the PRC* 《安徽省建設工程工程量清單計價規範》(DBJ34/T-206-2005) and Fuyang City Construction Costs Information Price* 《阜陽市工程造價信息價》(altogether the “**Pricing Documents**”), in which, among others, (i) the labour cost is prescribed to be adjusted in accordance with relevant policies promulgated by governmental authorities, among others, Department of Urban-Rural Development of Anhui Province (安徽省住房和城鄉建設廳) of the PRC; and (ii) the main construction materials, civil engineering materials, decoration materials and installation materials are made with reference to Fuyang Information Price; and (iii) prices are confirmed through market enquiries with not less than 3 enquiries by both parties and would also be reviewed by the Land Supervisory Unit for those constructions materials not specified in the Code of BOQ. As advised by the Management, it is a market practice for the contractor to determine their service fees in a construction project with reference to a provincial code and municipal price index. The price and terms of the Group's Individual Contracts would be guided and shall apply to all construction projects related to both connected persons and Independent Third Parties.

For our assessment, we have obtained and reviewed the relevant sections under the Pricing Documents, which govern the calculation of the contract sum payable under each of the Individual Contracts. According to the Pricing Documents provided by the Management, the Code of BOA was published by The Department of Housing and Urban-Rural Development of Anhui Province* (安徽省住房和城鄉建設廳) and were established according to Construction Law of the People's Republic of China* 《中華人民共和國建築法》, Contract Law of the People's Republic of China* 《中華人民共和國合同法》 and The Tendering and Bidding Law of the People's Republic of China* 《中華人民共和國招標投標法》, with the purpose to standardize the pricing of contracting in construction projects in Anhui Province. The Fuyang Information Price is a frequently updated price booklet published by Fuyang Engineering Cost Management Association* (阜陽市工程造價管理協會) with the approval of relevant governmental body. The Pricing Documents are applicable to the bill of quantities valuation activities in construction works, decoration works, installation works, municipal works and landscaping and Antique architectural works involved in a construction project. Construction projects in Anhui

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Province where majority or wholly funded by state-owned capital must follow the mechanism in the Pricing Documents while non state-owned construction projects in Anhui Province are also recommended to be priced by the bill of quantities with reference to the Pricing Documents. As advised by the Management, (i) The Department of Housing and Urban-Rural Development of Anhui Province* (安徽省住房和城鄉建設廳) and Fuyang Engineering Cost Management Association* (阜陽市工程造價管理協會) who are regulated by governmental bodies are expected to grasp the latest information and development trend in Anhui real estate and construction market; (ii) the bill of quantities valuation activities in construction works to be performed by Anhui Zhongzhihuan Construction under the Construction Services Agreement are covered by the Pricing Documents, it would provide a fair and meaningful reference to determine the construction service fee of the Construction Projects. We concur with the view of the Management that the Pricing Documents could provide meaningful reference to determine the construction service fee. The Management also advised that the Group would adopt sufficient internal procedures to secure that the price and terms of the Transactions would not deviate from the abovementioned pricing policy.

We have reviewed the documents provided by the Management in relation to the background, experience and qualification of the Land Supervisory Unit. We noted that the Land Supervisory Unit owns, amongst others, grade A qualification certificate for construction service supervision* (甲級工程監理資質證書), grade B qualification certificate for construction costs advisory enterprise (乙級工程造價諮詢企業資質證書) and has more than 18 years of experience in the field of construction supervision in PRC. In view of this, we are of the view that it would be reasonable for the Land Supervisory Unit to review and approve the construction budget estimated by Anhui Zhongzhihuan Construction, and such procedure could improve the reliability of the construction budget in determining the contract sum payable under each Individual Contracts.

We have also assessed the reliability of the Pricing Documents. Based on our research and discussions with the Management, the Code of Bills of Quantities and Valuation for Construction Works in Anhui Province, the PRC* 《安徽省建設工程工程量清單計價規範》(DBJ34/T-206-2005) is the guidance approved by Anhui Construction Department* (安徽省建設廳) as the basis for, among other things, principles in determining bills of quantities of construction workload, pricing method and requirement (including but not limited to applicable margin rate, fee rate, utilization rate for construction project). The 2020 fourth issue Fuyang City Construction Costs Information Price* 《2020年第4期阜陽市工程造價信息價》 is an information booklet prepared by Fuyang Engineering Cost Management Association* (阜陽市工程造價管理協會) (<http://www.fysgczjglxh.com/>) approved by Fuyang Construction Engineering Cost Management Station* (阜陽市建設工程造價管理站), a branch established by the Fuyang Urban and Rural Construction Bureau* (阜陽市城鄉建設局) responsible for, among others, implementation of national and provincial regulations, guidelines and policies on pricing mechanism of construction project price management in Fuyang, formulate and publish pricing mechanism on construction project and corresponding rules and regulations, and supervise, inspect and guide the entities involved in construction activities, which provide latest market prices of different kinds of construction materials and machineries.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account the above documents were either approved or published by governmental authorities and the 2020 fourth issue Fuyang City Construction Costs Information Price* 《2020年第4期阜陽市工程造價信息價》 is sufficient enough to reflect the current market prices of construction materials and machineries, we are of the view that such Pricing Documents are reliable.

Further on our assessment, we have initially requested the Management to provide similar construction services agreement previously entered into between Anhui Zhongzhihuan Construction with other independent third party(ies) for review. However, as disclosed by the Management, save for the Construction Services Agreement, no other construction service agreement was entered into by Anhui Zhongzhihuan Construction as Anhui Zhongzhihuan Construction did not operate any business with other independent third party as at the Latest Practicable Date, and therefore, no similar past construction services agreement could be provided for our assessment.

In view of this, we have changed our direction of assessment to review samples of construction contracts entered into between PRC developer companies wholly-owned by Mr. Yu including Linquan Zhongzhihuan Property with independent contractor in relation to construction projects in PRC with similar nature, size and location with the Construction Project (the “**Construction Contracts Sample(s)**”). We have noted that the basis for the determination of pricing under the Construction Contracts Samples did not deviate from the stated pricing policies in the Pricing Documents. We have also noted that the Pricing Adjustments under the Construction Services Agreement are consistent with the Pricing Adjustments under the Construction Contracts Sample, we therefore concur with the Management’s view that the Pricing Adjustments in the Construction Services Agreement are in line with the normal market practice.

Based on our work performed, despite we could not obtain any similar construction project entered between Anhui Zhongzhihuan Construction and other independent third party, we have instead obtained, reviewed and been satisfied with the Construction Contracts Samples, therefore we concur with the Directors’ view that the pricing basis applied to the transactions under the Construction Services Agreement are fair and reasonable.

In addition, we noted that the Group has adopted the following internal control procedures to govern the Transactions and the Annual Caps:

- (i) the finance department of the Company will closely monitor and record the actual transaction amounts of the transactions under the Construction Services Agreement to ensure that the Annual Caps will not be exceeded;
- (ii) The management of Anhui Zhongzhihuan Construction will review the Code of BOQ and review and update the Fuyang Information Price internally on a monthly basis to ensure the construction budget comprising the bills of quantities of each construction service, in particular, the pricing of labour and construction materials, is in line with the market norms and no less favourable than the terms with Independent Third Parties for each of the Individual Contracts and shall report and complain to relevant governmental authorities

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and not to enter into of such Individual Contract if there is any irregularities in the review of the bills of quantities and construction budget by the Land Supervisory Unit;

- (iii) the management of Anhui Zhongzhihuan Construction will collect, prepare and submit the construction plans and budgets, bills of quantities and status reports to the management of the Company before entering into Individual Contracts. The finance department of the Company will prepare, update and analyse the revenue projection (the “**Revenue Projection**”) of the Construction Project according to the submitted construction plans and budgets, bills of quantities, status reports, estimated contract sum and payment terms of each construction service of the Construction Project;
- (iv) the finance department of the Company shall analyse the Revenue Projection with the expected revenue of the business of the Group from Independent Third Parties before execution of each Individual Contract and shall alert the management of the Company should there is a potential risk of expected revenue contribution to the Group from the Construction Service Agreement exceeding 50% of the total revenue of the Company for the years ending 31 December 2020, 2021, 2022 respectively;
- (v) The Individual Contract, and the updated Revenue Projection will be submitted to the management of the Company for modification, final review and approval before execution of each Individual Contract;
- (vi) Anhui Zhongzhihuan Construction shall alert the finance department and management of the Company if they notice or foresee any significant change in progress and amount of work which may lead to the Annual Caps being exceeded in the future;
- (vii) the Company’s auditor will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually and confirm whether (a) the transactions under the Construction Services Agreement have been approved by the Board; (b) the transactions were entered into in accordance with the Construction Services Agreement; and (c) the Annual Caps have not been exceeded; and
- (viii) the independent non-executive Directors will perform annual review (which are subject to the annual review and disclosure requirements under the Listing Rules) to confirm the transactions under the Construction Services Agreement are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Construction Services Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

In this connection, we have discussed with and understood from the Management that the status reports prepared by the management of Anhui Zhongzhihuan Construction for each Individual Contracts shall contain at least, the information in relation to the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

nature, expected timeline, required quantity of labour and construction materials, summary of bills of quantities, the calculation of the contract amount with reference to the relevant section under the Pricing Documents and prices confirmed through market enquiries which have been reviewed by the Land Supervisory Unit of the specific project under the Individual Contract. The management of the Company shall review the documents including the status reports submitted by Anhui Zhongzhihuan before passing them to finance department of the Company for formulating the Revenue Projection and request the management of Anhui Zhongzhihuan Construction to make further amendments on the construction plan and bills of quantities in case there is any breaching of the pricing mechanism (inclusive of the Pricing Adjustments). We are of the view that such measures could avoid the Individual Contracts breaching the pricing mechanism stated in the Pricing Documents and ensure that the prices confirmed through market enquiries are fair and reasonable.

We also noted that the Group will adopt internal procedure before entering into each Individual Contract, in order to avoid the expected revenue contribution to the Group from the Construction Services Agreement exceeding 50% of the total revenue of the Company for the years ending 31 December 2020, 2021, 2022 respectively, we are of the view that such measure could effectively address the risk of potential reliance on the controlling shareholder of the Company.

Furthermore, we have obtained and reviewed the relevant internal control policies and procedures, and we considered that effective implementation of these internal control policies would ensure that the transactions under the Construction Services Agreement to be conducted on normal commercial terms or better which are fair and reasonable.

6. Basis for determining the Annual Caps

As set out in the Letter from the Board, the Annual Caps were determined with reference to the projected revenue to be derived from Individual Contracts under the Construction Service Agreement that would be entered into between Linquan Zhongzhihuan Property and Anhui Zhongzhihuan Construction in accordance with the project development schedule of the Construction Project (the “**Development Schedule**”) during the period from the Effective Date to 31 December 2020 and the two years ending 31 December 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Construction Project is a commercial property project located at Qianjin Road in Linquan, Anhui Province, the PRC with a construction area of approximately 54,000 sq.m. The construction works of the Construction Project shall commence upon the Construction Services Agreement becoming effective, which is expected to be in the 3rd quarter of 2020 and is expected to be completed in the 2nd quarter of 2022. The Development Schedule of the Construction Project is set out as follows:

Types of construction service	Nature of Construction service	Total Contract Sum (RMB)	Expected Contract Sum For the year ending 31 December		
			2020 (RMB)	2021 (RMB)	2022 (RMB)
1	Pile Foundation	4,845,000	2,601,000	2,244,000	
2	Civil engineering	12,384,000	4,477,000	7,907,000	
3	Installation	7,809,000	1,428,000	3,151,000	3,230,000
4	Civil engineering & installation	68,200,000	27,807,000	40,393,000	
5	Decoration	19,742,000	7,138,000	12,604,000	
6	Earthworks & outdoor works	19,740,000	—	—	19,740,000
Total		<u>132,720,000</u>	<u>43,451,000</u>	<u>66,299,000</u>	<u>22,970,000</u>

As discussed with the Management, the maximum total transaction amount under the Construction Service Agreement of RMB132.72 million were estimated and determined by the construction budget with Management's industry experience and knowledge, whereas the pricing therein was complied with the Pricing Documents.

In this regard, we have discussed with the Management and was advised that the in estimating the Annual Caps, responsible departments of Anhui Zhongzhihuan Construction have formulated (i) the Development Schedule based on the requirements and relevant area and technical indicators (面積技術指標) under the construction plans of the Construction Project provided by Linquan Zhongzhihuan Property and; (ii) the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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construction budget based on the Development Schedule and the Pricing Documents. We were further advised that the Development Schedule and the construction budget have been reviewed by the Land Supervisory Unit.

We have discussed and reviewed the calculation of the maximum total transaction amount under the Construction Service Agreement of RMB132.72 million. We noted that the calculation is consistent with the pricing policies stated in the Pricing Documents, in view of this and together with our assessment on the reliability of the Pricing Documents and the construction budget as discussed in the section headed “5. Pricing basis and internal control procedures” in this letter above, we are of the view that it is fair and reasonable for the Management in arriving at the total maximum transaction amount under the Construction Service Agreement of RMB132.72 million with reference to the Pricing Documents.

The Company estimates that the total transaction amount of the Individual Contracts under the Construction Service Agreement for the three years ending 31 December 2020, 2021 and 2022 will not exceed the Annual Caps as set out below:

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

In assessing the Annual Caps, we have obtained from the Management the Development Schedule and have reviewed the estimated revenue corresponding to each of the period. We have discussed with the Management and noted that the Annual Caps were primarily based on the Revenue Projection allocated in the Development Schedule, with the assumption of (i) the final contract sum payable under each Individual Contracts would be derived with reference to the Pricing Documents; (ii) the progress of the Construction Project would not deviate from the Development Schedule; and (iii) there would be no Pricing Adjustments. Taking into account (i) the sufficient internal control procedures of the Company as discussed in the section headed “5. Pricing basis and internal control procedures” in this letter above, to ensure the Individual Contracts would be entered in a manner in line with the Pricing Documents; (ii) the Development Schedule are reviewed by the Senior Management of the Anhui Zhongzhihuan Construction with their extensive industry experience, expertise and qualification as discussed in the section headed “4. Reasons for and benefits of entering into the Construction Services Agreement” in this letter above; and (iii) the Pricing Adjustments would be insignificant based on the past experience of the Senior Management of Anhui Zhongzhihuan Construction, we concur with view of the Management that the respective assumptions made by the Management on determining the Annual Caps are fair and reasonable and we are also of the view that the Annual Caps are therefore reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should note that the Annual Caps represent estimates by the Group based on the information currently available. Shareholders should also be aware that the actual utilisation and sufficiency of the Annual Caps would depend on a host of factors, including but not limited to, the final contract sums to be determined after the completion of the construction project, the price adjustments to be made under each of the Individual Contracts, and the progress of the Construction Project. In this regard, we understand from the Management that the Company will actively monitor the progress and utilisation of the Annual Caps to ensure compliance with the Listing Rules from time to time.

Having taken into account (i) the total transaction amount under the Annual Caps are complied with the stated pricing mechanism; (ii) the Annual Caps for the three years ending 31 December 2020, 2021 and 2022 are consistent with the corresponding estimated revenue of the Development Schedule; and (iii) our analysis and work performed as set out above, we consider that the basis for the Annual Caps to be fair and reasonable.

VII. RECOMMENDATION

Having considered the factors as disclosed in this letter above, in particular,

- (i) the reasons for and benefits of entering into the Transactions;
- (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and shall be on normal commercial terms given the relevant internal control policies governing the price and terms of the Individual Contracts; and
- (iii) the basis for determining the Annual Caps, details of which are disclosed in the section headed “6. Basis for determining the Annual Caps” in this letter above,

we are of the view that the Transactions are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of the Transactions are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolutions to approve the Transactions at the EGM.

Yours faithfully,
For and on behalf of
Chanceton Capital Partners Limited
Cheung Shun Lim Ignatius
Associate Director

Mr. Cheung Shun Lim Ignatius is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Chanceton Capital Partners Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. He has over 10 years' experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 are taken or deemed to have under such provisions of SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long position in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of interest
Mr. Yu	Interest through controlled corporations (<i>Note</i>)	792,000,000	75%

Note: 198,000,000 shares of the Company (being 792,000,000 Shares subsequent to the share subdivision having taken effect on 5 August 2020 (the “**Share Subdivision**”) were held by Central Culture Resource Group Limited (“**Central Culture**”), a company wholly owned by Mr. Yu. Pursuant to a share charge dated 8 August 2019, Central Culture has charged 198,000,000 shares of the Company in favour of Huatai Financial Holdings (Hong Kong) Limited (“**Huatai Financial**”). The number of shares charged to Huatai Financial was reduced to 190,080,000 shares of the Company (being 760,320,000 Shares subsequent to the Share Subdivision) on 9 January 2020.

Long position in the shares of associated corporations

Name of Director	Associated corporations	Capacity	Number of shares held/ interested	Approximate percentage of interest
Mr. Yu	Central Culture ^(Note)	Beneficial owner	50,000	100%

Note: Pursuant to a share charge dated 8 August 2019, Mr. Yu has charged all the issued share of Central Culture in favour of Huatai Financial.

(b) Substantial shareholders' interests and other person's interests and short positions in the Shares and underlying Shares

As at the Latest Practicable Date, to the best of the Directors' knowledge, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares 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 as recorded in the register kept by the Company pursuant to section 336 of the SFO or which would directly or indirectly amount to 5% or more of the issued share capital carrying rights to vote in all circumstances of general meetings of the Company or any other members of the Group:

Long position in the Shares and underlying Shares

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of interest
Central Culture ^(Note)	Beneficial interest	792,000,000	75%

Note: Central Culture is wholly owned by Mr. Yu. Pursuant to a share charge dated 8 August 2019, Central Culture has charged 198,000,000 shares of the Company (being 792,000,000 Shares subsequent to the Share Subdivision) in favour of Huatai Financial. The number of shares charged to Huatai Financial was reduced to 190,080,000 shares of the Company (being 760,320,000 Shares subsequent to the Share Subdivision) on 9 January 2020.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (other the Directors or chief executive of the Company) who had any interest or short position in the Shares, underlying Shares which would be required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

3. DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into an appointment contract with the Company for a term of three years, subject to retirement by rotation at the annual general meeting.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, (i) save for the entering into of the Construction Services Agreement, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the businesses of the Group; (ii) none of the Directors had any direct or indirect interest in any asset which, since 31 March 2020 (the date to which the latest published audited accounts of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 March 2020, being the date of which the latest published audited financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has provided opinion or advice contained in this circular:

Name	Qualification
Chanceton Capital Partners Limited	A licensed corporation to conduct type 6 (advising on corporate finance) regulated activities under the SFO

The letter, report and/or opinion from the above expert is given as of the date of this circular for incorporation in this circular. The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, report and/or opinion, as the case may be, and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert:

- (a) did not have any direct or indirect interest in any assets which have since 31 March 2020 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Office 5509, 55th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the Construction Services Agreement;
- (b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;
- (e) the written consent referred to in the section headed "7. Expert and Consent" in this appendix; and
- (f) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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)

Notice is hereby given that the Extraordinary General Meeting (the “EGM”) of **Central Holding Group Co. Ltd.** (the “Company”) will be held at Office 5509, 55th Floor, The Center, 99 Queen’s Road Central, Central, Hong Kong on Thursday, 27 August 2020 at 10:00 a.m. for the purpose of considering and, if thought fit passing with or without modification, the following resolutions as ordinary resolutions of the Company:

1. To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolution:

“THAT:

- (a) the entering into of the agreement dated 7 July 2020 between Linquan Zhongzhihuan Property Development Limited* (臨泉中之環置業有限公司) (“**Linquan Zhongzhihuan Property**”) and Anhui Zhongzhihuan Construction Engineering Co., Ltd* (安徽中之環建築工程有限公司) (“**Anhui Zhongzhihuan Construction**”) (the “**Construction Services Agreement**”), pursuant to which Anhui Zhongzhihuan Construction has agreed to act as contractor to provide construction services for the construction project named “Linquan 70mu Central Street” to Linquan Zhongzhihuan Property from time to time for the period commencing on the date within 15 days upon the Construction Services Agreement having become effective until 31 December 2022 (a copy of the Construction Services Agreement marked “A” has been produced to the Meeting and signed by the Chairman of the EGM for the purpose of identification), the transactions contemplated thereunder and the proposed annual caps (the “**Annual Caps**”) be hereby approved, ratified and confirmed; and
- (b) any one director of the Company be and is hereby authorised to execute the Construction Services Agreement and all such other documents and to do all such acts or things for and on behalf of the Company, and to make and agree such variations of a minor or non-material nature in or to the terms of the Construction Services Agreement as he/she may consider appropriate or desirable relating to or in connection with the matters contemplated therein.”

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

Hong Kong, 10 August 2020

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chghk.com) in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not less than 48 hours before the time appointed for the meeting or the adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Monday, 24 August 2020 to Thursday, 27 August 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office 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, 21 August 2020.
5. If a black rainstorm warning or a tropical cyclone warning signal number 8 or above is hoisted at any time after 7:00 a.m. on the date of the EGM, the EGM will be held on the first Business Day immediately after that date at the same time and place.
6. References to time and dates in this notice are to Hong Kong time and dates.
7. Considering the outbreak of the coronavirus (COVID-19), certain measures will be implemented at the EGM with a view to addressing the risk to attendees of infection, including, without limitation, (i) all attendees being required to (a) undergo compulsory body temperature check; and (b) wear surgical masks prior to admission to the EGM venue; (ii) all attendees being required to wear surgical masks throughout the EGM; (iii) each attendee being assigned a designated seat at the time of registration to ensure social distancing; and (iv) no refreshment packs or coffee/tea being provided.

The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the EGM (if any).