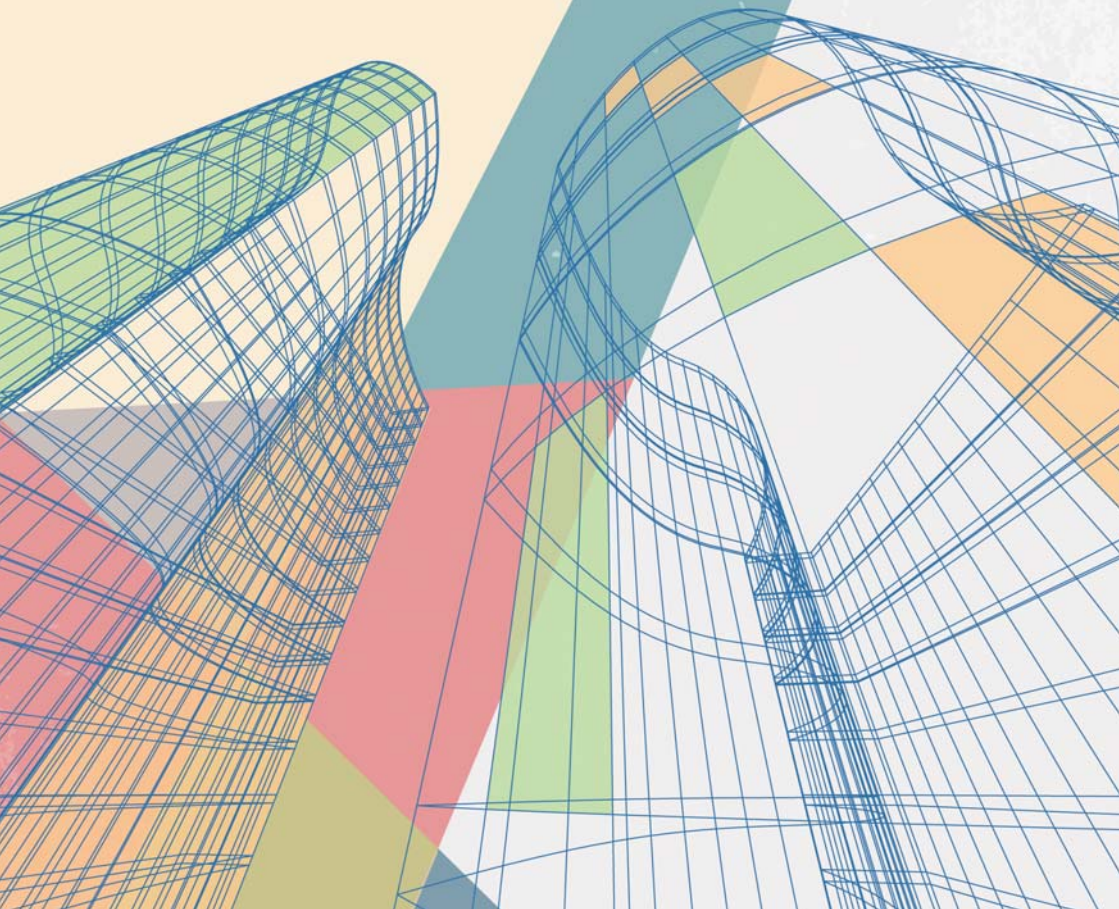


Central Holding Group Co. Ltd. 中環控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

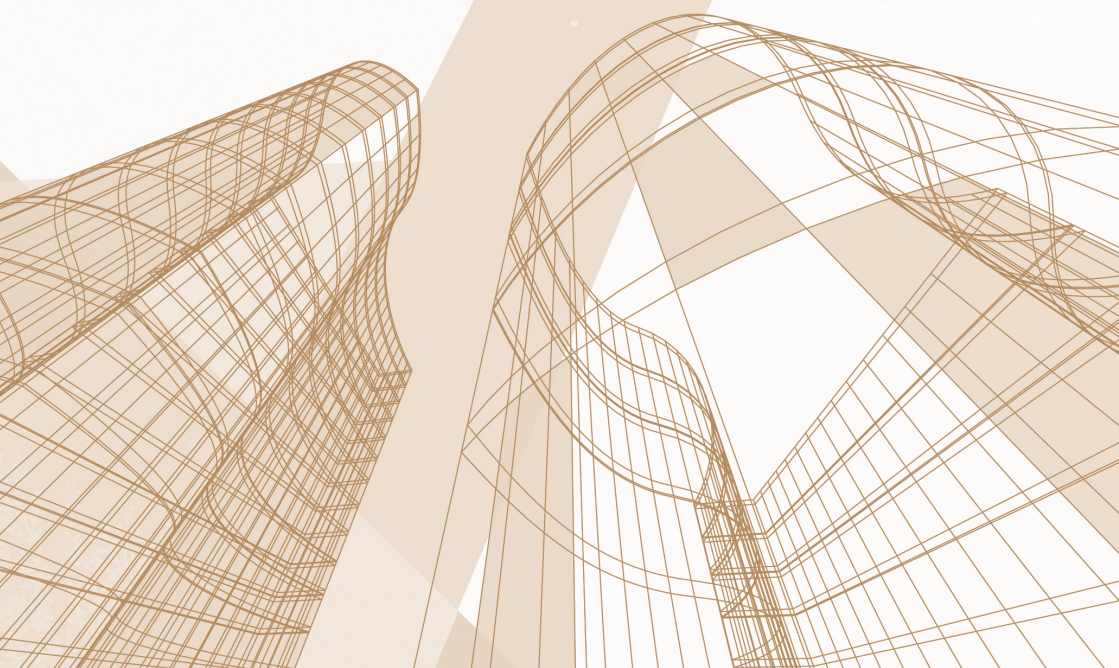
Stock Code: 1735

2020/2021 Interim Report



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Zhuyun (*Chairman and Chief Executive Officer*)
(*appointed as Chief Executive Officer on 30 April 2020*)
Mr. Li Menglin (*appointed on 30 April 2020*)

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

AUDIT COMMITTEE

Mr. Wang Wenxing (*Chairperson*)
Mr. Qiao Xiaoge
Dr. Li David Xianglin

REMUNERATION COMMITTEE

Dr. Li David Xianglin (*Chairperson*)
Mr. Gao Jian
Dr. Zhou Chunsheng

NOMINATION COMMITTEE

Mr. Yu Zhuyun (*Chairperson*)
Mr. Wang Wenxing
Dr. Zhou Chunsheng

MANAGEMENT TEAM

Mr. Yu Zhuyun (*Chief Executive Officer*)
Mr. Che Kean Tat (*Chief Financial Officer*)
Mr. Qin Ning (*Chief Legal Officer*)

COMPANY SECRETARY

Ms. Li Sin Ching, *ACIS, ACS*

AUTHORISED REPRESENTATIVES

Mr. Yu Zhuyun
Ms. Li Sin Ching

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

LEGAL ADVISER AS TO HONG KONG LAW

King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F
148 Electric Road
North Point
Hong Kong

Corporate Information

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
No. 1 Queen's Road Central
Hong Kong

The Bank of China (Hong Kong) Limited
No. 1 Garden Road, Central
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
33rd Floor, ICBC Tower
3 Garden Road, Central
Hong Kong

COMPANY WEBSITE

www.chghk.com

STOCK CODE

1735

Management Discussion and Analysis

The board (the **"Board"**) of directors (the **"Directors"**) of Central Holding Group Co. Ltd. (the **"Company"**) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the **"Group"**) for the three months ended 30 June 2020 (the **"Period"**) together with the comparative figures for the six months ended 30 September 2019 (the **"Previous Period"**).

BUSINESS REVIEW

The Directors are of the view that the construction business environment in which the Group operates in Hong Kong becomes tough and the Group's gross profit and gross profit margin will continue to be under pressure from low bidding price on the tenders, which will in turn affect the business performance of the Group. Mr. Yu Zhuyun, the ultimate controlling shareholder of the Company will further leverage his personal background and management experience in various industries including real estate development, commercial property leasing, environmentally friendly construction, cultural and creative industries, smart logistics and trade development, as well as health and wellness industries in the People's Republic of China (the **"PRC"**), to explore related business opportunities.

The Group considers the prospects of the PRC market promising. To further diversify the Group's source of income and to leverage the synergic advantages and resources of Central Culture Resource Group Limited, the Group is aiming to further expand its construction business in the PRC and explore in a diverse range of related businesses in the PRC, such as real estate development, commercial property leasing, environmentally friendly construction, cultural and creative business, smart logistics and trade development, as well as health and wellness business.

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

As at 30 June 2020, the Group has five main segments, which are (i) superstructure and construction works, (ii) property development and investment properties business, (iii) logistic services and information technology development; (iv) health and wellness services; and (v) trading of construction materials. We seek to achieve synergistic value amongst the segments in order to obtain higher returns and greater business opportunities.

Superstructure and construction business

Facing the challenges including the increased competition, low bidding tender price and limited market potential in Hong Kong, the Group will be prudent in managing superstructure and construction business operations in Hong Kong. The Group considers to further expand its construction business in the PRC and to explore business opportunities outside Hong Kong in order to minimise possible exposure to the uncertainties in the Hong Kong market.

During the six months ended 30 June 2020, the revenue in superstructure and construction segment was approximately HK\$58.1 million (six months ended 30 June 2019: approximately HK\$118.7 million), which is accounted for approximately 72.3% (six months ended 30 June 2019: approximately 100%) of the Group's total revenue. The decrease was mainly due to the increase in direct cost associated with the prolongation and/or variation of the construction works resulted from the outbreak of COVID-19 and the unexpected complexity arisen in Hong Kong during the six months ended 30 June 2020.

Management Discussion and Analysis

Logistic services and information technology development

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

During the six months ended 30 June 2020, the revenue in logistic services and information technology development segment was approximately HK\$2.64 million (six months ended 30 June 2019: nil), which is accounted for approximately 3.3% (six months ended 30 June 2019: nil) of the Group's total revenue.

Property development and investment properties business

Quzhou — Rural and wellness Project

As at 30 June 2020, the Group has a new development project in Quzhou City, Zhejiang, comprising of hotel, condominium and bungalows with the theme of "Rural and Wellness Complex". The total site area of the project is 27,920 sq.m. and the total gross floor area thereof is approximately 37,356 sq.m.. The project is expected to be completed in December 2021, and the Group intends to hold a total gross floor area of approximately 18,599 sq.m. for hotel services or leasing out to generate rental income in future.

Health and wellness business

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

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

The Group is aiming to further expand its health and wellness business in the PRC and seeks to obtain higher returns and greater business opportunities. During the six months ended 30 June 2020, the revenue in health and wellness business was increased by approximately HK\$8.5 million (six months ended 30 June 2019: nil), which is accounted for approximately 10.5% (six months ended 30 June 2019: nil) of the Group's total revenue.

Trading of construction materials

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

During the six months ended 30 June 2020, the revenue in trading of construction materials business was increased by approximately HK\$11.2 million (six months ended 30 June 2019: nil), which is accounted for approximately 13.9% (six months ended 30 June 2019: nil) of the Group's total revenue.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 June 2020 amounted to approximately HK\$80.4 million, which is decreased by 32.3% from approximately HK\$118.7 million for the six months ended 30 June 2019. The decrease is mainly due to temporary disruption of the Company's construction projects in the first half of 2020 as a result of the outbreak of COVID-19 in Hong Kong. However, the decrease is mitigated by the increase in revenue of trading of construction materials, as well as health and wellness business in PRC. During the Period, revenue of the Group amounted to approximately HK\$42.9 million.

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

	Three months ended	Six months ended	Six months ended	
	30/06/2020 (unaudited) HK\$'000	30/09/2019 (unaudited) HK\$'000	30/06/2020 (unaudited) HK\$'000	30/06/2019 (unaudited) HK\$'000
Revenue				
Foundation works and superstructure building works	23,263	104,869	58,084	118,722
Trading of construction materials	11,171	–	11,171	–
Health and wellness business	8,468	–	8,468	–
Logistics services and information technology development	–	–	2,646	–
	42,902	104,869	80,369	118,722

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 June 2020 amounted to approximately HK\$58,000, representing a decrease of approximately 94.3% as compared with approximately HK\$1.02 million for the six months ended 30 June 2019. The Group's gross profit margin also decreased from 0.8% for the six months ended 30 June 2019 to 0.07% for the six months ended 30 June 2020. The decrease was mainly due to the increase in direct cost associated with the unexpected complexity arising from the Group's construction works in Hong Kong and low gross profit margin in the trading of construction materials business. During the Period, gross loss of the Group amounted to approximately HK\$5.0 million and the Group's gross loss margin is 11.7%.

Other Income and Net Gains

Other income and net gains mainly comprise of rental income from machineries and interest income from bank deposit. During the six months ended 30 June 2020, other income and net gains amounted to approximately HK\$2.3 million (six months ended 30 June 2019: approximately HK\$1.5 million). During the Period, other income and net gains of the Group amounted to approximately HK\$1.2 million.

Management Discussion and Analysis

Administrative and Other Operating Expenses

The administrative and other operating expenses of the Group for the six months ended 30 June 2020 amounted to approximately HK\$17.6 million, representing an increase of approximately 61.4% compared with approximately HK\$10.9 million for the six months ended 30 June 2019, mainly due to increase in the costs for the recruitment of new staff during the six months ended 30 June 2020. During the Period, administrative expense and other operating expense of the Group amounted to approximately HK\$7.8 million.

Income Tax Expense

Income tax expense increased by approximately 100% from approximately HK\$0.3 million for the six months ended 30 June 2019 to approximately HK\$2.1 million for the six months ended 30 June 2020. Such increase was mainly related to the increase in the tax provision for the valuation of investment properties during the six months ended 30 June 2020. During the Period, income tax credit of the Group amounted to approximately HK\$17,000.

Net Loss

As a result of the aforesaid, the Group recorded a net loss for the six months ended 30 June 2020 of approximately HK\$11.9 million, while the Group recorded net profit of approximately HK\$8.67 million for the six months ended 30 June 2019. The increase in net loss is mainly due to increase in direct cost of Group's construction works in Hong Kong and increase in the costs for the recruitment of new staff during the period. During the Period, net loss of the Group amounted to approximately HK\$11.6 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 June 2020, the Group had cash and bank balances of approximately HK\$66.1 million (31 March 2020: approximately HK\$114.5 million).

As at 30 June 2020, the share capital and equity attributable to owners of the Company amounted to approximately HK\$2.6 million and HK\$146.6 million (31 March 2020: approximately HK\$2.6 million and HK\$158.1 million respectively).

The current ratio decreased from 2.1 times as at 31 March 2020 to 1.67 times as at 30 June 2020.

GEARING RATIO

Gearing ratio is calculated by dividing all debts by total equity at the period-end date and expressed as a percentage. Debts are defined to include payables incurred not in the ordinary course of business. The gearing ratio of the Group is 36.5% as at 30 June 2020 (31 March 2020: 49.6%).

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and has commenced new operations in the PRC in 2019. Accordingly, all operating transactions and revenue are settled in Hong Kong dollars ("HK\$") and Renminbi ("RMB"), subjecting the Group to foreign exchange risk. The Group has actively taken various measures to manage foreign exchange risk.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

The Group had 94 employees (including full-time and casual employees who are paid on a daily basis) as at 30 June 2020 (31 March 2020: 64). Total staff costs included directors' emoluments for the Period amounted to approximately HK\$6.6 million (Previous Period: approximately HK\$10.3 million), salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employment according to the assessment of individual performance and market situation.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 June 2020 and 31 March 2020.

CONTINGENT LIABILITIES

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

Save as disclosed above, the Group had no material contingent liabilities as at 30 June 2020 (31 March 2020: nil).

USE OF PROCEEDS FROM THE LISTING

The shares of the Company (the "Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 29 March 2018 (the "Listing Date"). The total net proceeds (the "Net Proceeds") from the initial public offering amounted to approximately HK\$73.5 million. The Net Proceeds were applied by the Group in accordance with the disclosure as set out in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 19 March 2018 (the "Prospectus").

The below table sets out the use of the Net Proceeds and the unused amount from the Listing Date up to 30 June 2020:

	Planned use of the Net Proceeds HK\$'000	Actual use of the Net Proceeds from the Listing Date to 30 June 2020 HK\$'000	Unused amount Up to 30 June 2020 HK\$'000
Use of Net Proceeds:			
Hiring of additional staff	11,600	4,002	7,598
Acquisition of additional machinery and equipment	54,900	8,760	46,140
General Working Capital	7,000	7,000	–
Total	73,500	19,762	53,738

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

Management Discussion and Analysis

INTERIM DIVIDEND FOR THE THREE MONTHS ENDED 30 JUNE 2020

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

EVENTS AFTER THE PERIOD

SHARE SUBDIVISION

On 29 June 2020, the Company proposed to subdivide (the "**Share Subdivision**") every existing Share (both issued and unissued) of par value of HK\$0.01 into four shares of par value of HK\$0.0025 each (the "**Subdivided Shares**"). On 3 August 2020, the Share Subdivision was approved by the shareholders at the extraordinary general meeting of the Company. The Share Subdivision became effective on 5 August 2020. As a result of the Share Subdivision, the authorised share capital of the Company became HK\$50,000,000 divided into 20,000,000,000 Subdivided Shares, of which 1,056,000,000 Subdivided Shares are in issue and fully paid or credited as fully paid.

CONTINUING CONNECTED TRANSACTION

On 7 July 2020, 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 27 December 2020 until 31 December 2022. On 27 August 2020, continuing connected transaction was approved by independent shareholders at the extraordinary general meeting of the Company.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has occurred after the Period and up to the date of this report.

Condensed Consolidated Interim Statement of Profit or Loss and other Comprehensive Income

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

	Notes	Three months ended	Six months ended	Six months ended	
		30/06/2020 (unaudited) HK\$'000	30/09/2019 (unaudited) HK\$'000	30/06/2020 (unaudited) HK\$'000	30/06/2019 (unaudited) HK\$'000
(FOR INFORMATION PURPOSE ONLY)					
Revenue	5	42,902	104,869	80,369	118,722
Direct costs		(47,915)	(103,434)	(80,311)	(117,705)
Gross (loss)/profit		(5,013)	1,435	58	1,017
Other income and net gains	5	1,157	1,277	2,341	1,482
Gain on fair value changes of investment properties		–	–	5,375	–
Administrative and other operating expenses		(7,754)	(9,955)	(17,611)	(10,912)
Finance costs		(5)	(6)	(11)	–
Loss before income tax	6	(11,615)	(7,249)	(9,848)	(8,413)
Income tax credit/(expense)	7	17	(95)	(2,095)	(254)
Loss for the period		(11,598)	(7,344)	(11,943)	(8,667)
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
— Exchange differences arising on translation of foreign operations		114	–	16	–
— Change in fair value of debt instrument at fair value through other comprehensive income		–	–	–	29
— Adjustment for disposal of debt instrument at fair value through other comprehensive income		–	–	–	7
Other comprehensive income for the period, net of tax		114	–	16	36
Total comprehensive expense for the period attributable to owners of the Company		(11,484)	(7,344)	(11,927)	(8,631)
		HK Cents	HK Cents (Restated)	HK Cents	HK Cents
Loss per share attributable to owners of the Company					
— Basic and diluted loss per share (HK cents)	8	(1.10)	(0.70)	(1.13)	(0.82)

Condensed Consolidated Interim Statement of Financial Position

AS AT 30 JUNE 2020

	Notes	At 30 June 2020 (unaudited) HK\$'000	At 31 March 2020 (audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	9,908	10,186
Right-of-use assets		491	604
Investment properties		16,982	25,717
Properties under development		41,283	–
Intangible assets		3,800	3,625
Deposit and prepayment for life insurance policy		3,095	3,074
		75,559	43,206
Current assets			
Contract assets		51,468	62,769
Trade and other receivables	11	73,386	52,650
Tax recoverable		863	1,327
Cash and bank balances		66,046	114,462
		191,763	231,208
Total assets		267,322	274,414
EQUITY			
Capital and reserves			
Share capital	12	2,640	2,640
Reserves		146,590	158,074
Total equity		149,230	160,714
LIABILITIES			
Non-current liabilities			
Lease liabilities		54	168
Liabilities for long service payments		815	876
Deferred tax liabilities		2,537	2,602
		3,406	3,646

Condensed Consolidated Interim Statement of Financial Position

AS AT 30 JUNE 2020

	Notes	At 30 June 2020 (unaudited) HK\$'000	At 31 March 2020 (audited) HK\$'000
Current liabilities			
Contract liabilities		2,189	–
Trade and other payables	13	57,269	29,466
Lease liabilities		454	450
Amounts due to related companies		54,473	79,719
Tax payables		301	419
		114,686	110,054
Total liabilities		118,092	113,700
Total equity and liabilities		267,322	274,414
Net current assets		77,077	121,154
Total assets less current liabilities		152,636	164,360

Condensed Consolidated Interim Statement of Changes in Equity

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

	Share capital HK\$'000 (Note 12)	Share premium HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance as at 1 April 2019 (audited)	2,640	88,276	11,010	–	71,573	173,499
Loss and total comprehensive expense for the period	–	–	–	–	(7,344)	(7,344)
Balance as at 30 September 2019 (unaudited)	2,640	88,276	11,010	–	64,229	166,155
Balance as at 1 April 2020 (audited)	2,640	88,276	11,010	(98)	58,886	160,714
Loss for the period	–	–	–	–	(11,598)	(11,598)
Other comprehensive income:						
Exchange differences arising on translation of foreign operations	–	–	–	114	–	114
Balance as at 30 June 2020 (unaudited)	2,640	88,276	11,010	16	47,288	149,230

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

	Three months ended 30 June 2020 (unaudited)	Six months ended 30 September 2019 (unaudited)
Net cash generated from operating activities	9,842	7,819
Net cash used in investing activities	(33,006)	(365)
Net cash used in financing activities	(25,361)	(77)
Net (decrease)/increase in cash and cash equivalents	(48,525)	7,377
Cash and cash equivalents at beginning of the period	114,462	62,633
Effects of foreign exchange rate changes	109	-
Cash and cash equivalents at end of the period	66,046	70,010
Analysis of balances of cash and cash equivalents		
Cash and bank balances	66,046	70,010

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 29 March 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 29 March 2018. As at 30 June 2020, its parent and ultimate holding company is Central Culture Resource Group Limited, a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability and wholly owned by Mr. Yu Zhuyun, the controlling shareholder of the Company.

The Company’s registered office address is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and the Company’s principal place of business is Office 5509, 55th Floor, The Center, 99 Queen’s Road Central, Central, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the business of (i) foundation works and superstructure building works in Hong Kong; (ii) property development and investment properties; (iii) trading of construction materials; (iv) health and wellness business and (v) smart logistics services and information technology development in the People’s Republic of China (the “**PRC**”).

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

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

Change of financial year end date

Pursuant to a resolution of the Board dated 29 May 2020, the Company’s financial year end date has been changed from 31 March to 31 December commencing from the financial year of 2020 in order to in line with the financial year end date of its subsidiaries.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities are exposed to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures that are required in the Annual Financial Statements, and should be read in conjunction with the Group's Annual Financial Statements as at 31 March 2020.

There have been no changes in the risk management policies since year end.

3.2 Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

3.3 Fair value estimation

The Group did not have any financial instruments measured at fair value as at 30 June 2020 and 31 March 2020.

There were no transfers between levels.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, the critical accounting estimates and judgements applied are consistent with those described in the Annual Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

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

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

	Three months ended	Six months ended	Six months ended	
	30/06/2020 (unaudited) HK\$'000	30/09/2019 (unaudited) HK\$'000	30/06/2020 (unaudited) HK\$'000	30/06/2019 (unaudited) HK\$'000
(FOR INFORMATION PURPOSE ONLY)				
Revenue				
Foundation works and superstructure building works	23,263	104,869	58,084	118,722
Trading of construction materials	11,171	–	11,171	–
Health and wellness business	8,468	–	8,468	–
Smart logistics and information technology services	–	–	2,646	–
	42,902	104,869	80,369	118,722
Other income and net gains				
Interest income	11	189	65	573
Net gain on disposal of property, plant and equipment	–	20	100	20
Operating lease income — machinery and equipment	684	1,014	1,710	837
Sundry income	462	54	466	52
	1,157	1,277	2,341	1,482

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

5. REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

	Three months ended	Six months ended	Six months ended	
	30/06/2020 (unaudited) HK\$'000	30/09/2019 (unaudited) HK\$'000	30/06/2020 (unaudited) HK\$'000	30/06/2019 (unaudited) HK\$'000
			(FOR INFORMATION PURPOSE ONLY)	
Timing of revenue recognition				
Over time	23,263	104,869	58,084	118,722
A point in time	19,639	–	22,285	–
	42,902	104,869	80,369	118,722
Types of services				
Foundation works and superstructure building works	23,263	104,869	58,084	118,722
Trading of construction materials	11,171	–	11,171	–
Health and wellness business	8,468	–	8,468	–
Smart logistics and information technology services	–	–	2,646	–
	42,902	104,869	80,369	118,722

Segment information

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

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

- (i) Foundation works and superstructure building works — provision of piling works, excavation and lateral support works, and pile cap construction and building works in relation to the parts of the structure above the ground level and other construction works;
- (ii) Property development and investment properties — development and sale of properties and holding of properties for investment and leasing purposes;

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

5. REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

- (iii) Smart logistic and information technology services — provision of logistics services and information technology development;
- (iv) Health and wellness business — provision of health and wellness solution services and supplying of healthcare and wellness related products; and
- (v) Trading of construction materials — trading of construction materials.

The Group has introduced additional segments of (i) health and wellness business; and (ii) trading of construction materials during the Period.

Segment revenue and results

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

For the three months ended 30 June 2020

	Foundation works and superstructure building works (unaudited) HK\$'000	Property development and investment properties (unaudited) HK\$'000	Smart logistic and information technology services (unaudited) HK\$'000	Health and wellness business (unaudited) HK\$'000	Trading of construction materials (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE						
Revenue from external customers	23,263	–	–	8,468	11,171	42,902
RESULT						
Segment (loss)/profit	(5,652)	–	–	456	183	(5,013)
Other income and net gains						1,157
Unallocated corporate expenses						(7,754)
Finance costs						(5)
Loss before income tax						(11,615)

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

5. REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 September 2019

	Foundation works and superstructure building works (unaudited) HK\$'000	Property development and investment properties (unaudited) HK\$'000	Smart logistic and information technology services (unaudited) HK\$'000	Health and wellness business (unaudited) HK\$'000	Trading of construction materials (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE						
Revenue from external customers	104,869	–	–	–	–	104,869
RESULT						
Segment profit	1,435	–	–	–	–	1,435
Other income and net gains						1,277
Unallocated corporate expenses						(9,955)
Finance costs						(6)
Loss before income tax						(7,249)

For the six months ended 30 June 2020

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

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

5. REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2019

	Foundation works and superstructure building works (unaudited) HK\$'000	Property development and investment properties (unaudited) HK\$'000	Smart logistic and information technology services (unaudited) HK\$'000	Health and wellness business (unaudited) HK\$'000	Trading of construction materials (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE						
Revenue from external customers	118,722	-	-	-	-	118,722
RESULT						
Segment profit	1,017	-	-	-	-	1,017
Other income and net gains						1,482
Unallocated corporate expenses						(10,912)
Loss before income tax						(8,413)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (Previous Period: nil).

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

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

5. REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

	At 30 June 2020 (unaudited) HK\$'000	At 31 March 2020 (audited) HK\$'000
Segment assets		
Foundation works and superstructure building works	108,033	124,087
Property development and investment properties	63,571	27,912
Smart logistic and information technology services	1,520	1,331
Health and wellness business	5,486	–
Trading of construction materials	18,653	1,749
Total segment assets	197,263	155,079
Unallocated corporate assets	70,059	119,335
Consolidated total assets	267,322	274,414
Segment liabilities		
Foundation works and superstructure building works	46,566	25,380
Property development and investment properties	40,667	75,172
Smart logistic and information technology services	1,222	1,315
Health and wellness business	243	–
Trading of construction materials	20,783	1,997
Total segment liabilities	109,481	103,864
Unallocated corporate liabilities	8,611	9,836
Consolidated total liabilities	118,092	113,700

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

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

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

6. LOSS BEFORE INCOME TAX

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

	Three months ended	Six months ended	Six months ended	
	30/06/2020 (unaudited) HK\$'000	30/09/2019 (unaudited) HK\$'000	30/06/2020 (unaudited) HK\$'000	30/06/2019 (unaudited) HK\$'000
			(FOR INFORMATION PURPOSE ONLY)	
Depreciation of property, plant and equipment	747	389	1,463	958
Depreciation of right-of-use assets	113	100	225	–
Reversal of impairment losses on trade receivables	(1)	–	(19)	–
(Reversal)/provision of impairment losses on contract assets	(4)	(31)	18	–
Provision of impairment losses on other receivables and deposits	9	–	46	–
Rental expense from short-term leases	666	744	1,250	1,748
Staff costs (including directors' emoluments)	6,614	10,261	13,517	11,552

7. INCOME TAX (CREDIT)/EXPENSE

	Three months ended	Six months ended	Six months ended	
	30/06/2020 (unaudited) HK\$'000	30/09/2019 (unaudited) HK\$'000	30/06/2020 (unaudited) HK\$'000	30/06/2019 (unaudited) HK\$'000
			(FOR INFORMATION PURPOSE ONLY)	
Hong Kong Profit Tax				
— Current income tax	75	–	170	–
The PRC Enterprise Income Tax				
— Current tax	58	–	2,074	–
— Over-provision in prior period	(82)	–	(82)	–
Deferred income tax	(68)	95	(67)	254
Income tax (credit)/expense	(17)	95	2,095	254

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

8. LOSS PER SHARE

	Three months ended 30/06/2020 (unaudited)	Six months ended 30/09/2019 (unaudited) (Restated)	Six months ended 30/06/2020 (unaudited) (FOR INFORMATION PURPOSE ONLY)	30/06/2019 (unaudited)
Loss attributable to owners of the Company (HK\$'000)	11,598	7,344	11,943	8,667
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	1,056,000	1,056,000	1,056,000	1,056,000
Basic loss per share (HK cent)	1.10	0.70	1.13	0.82

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

The comparative figures for the basic loss per share for the period ended 30 September 2019 are restated to take into account of the effect of the above share subdivision during the period retrospectively as if they have taken place since the beginning of the comparative period.

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

9. DIVIDEND

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

10. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2020, the Group incurred expenditure on additions to property, plant and equipment of approximately HK\$469,000 (31 March 2020: approximately HK\$2,050,000). Furthermore, the Group disposed of certain property, plant and equipment with carrying amount of nil (31 March 2020: nil), at a sale proceed of nil (31 March 2020: approximately HK\$120,000) and resulting a gain on disposal of nil (31 March 2020: approximately HK\$120,000).

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 (unaudited) HK\$'000	At 31 March 2020 (audited) HK\$'000
Trade receivables	36,704	27,907
Less: Provision for impairment losses on trade receivables	(4)	(5)
	36,700	27,902
Other receivables, deposits and prepayments	36,755	24,808
Less: Provision for impairment losses on other receivables and deposits	(69)	(60)
	36,686	24,748
	73,386	52,650

Notes:

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

	At 30 June 2020 (unaudited) HK\$'000	At 31 March 2020 (audited) HK\$'000
0–30 days	16,663	16,096
31–60 days	6,217	2,095
61–90 days	5,318	6,273
Over 90 days	8,506	3,443
	36,704	27,907

- (c) Included in the Group's trade and other receivables are amounts due from related companies of approximately HK\$450,000 as at 30 June 2020 (31 March 2020: approximately HK\$855,000), which are repayable on credit terms similar to those offered to other customers of the Group.

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

12. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2019, 31 March 2020 (audited), 1 April 2020 and 30 June 2020 (unaudited)	5,000,000	50,000
Issued and fully paid:		
At 1 April 2019, 31 March 2020 (audited), 1 April 2020 and 30 June 2020 (unaudited)	264,000	2,640

13. TRADE AND OTHER PAYABLES

	At 30 June 2020 (unaudited) HK\$'000	At 31 March 2020 (audited) HK\$'000
Trade payables	49,898	16,303
Accruals and other payables	7,371	13,163
	57,269	29,466

Notes:

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

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

	At 30 June 2020 (unaudited) HK\$'000	At 31 March 2020 (audited) HK\$'000
0–30 days	34,668	11,860
31–60 days	9,987	1,884
61–90 days	1,687	879
Over 90 days	3,556	1,680
	49,898	16,303

- (b) Included in the Group's other payables are amounts due to related parties of approximately HK\$9,000 as at 30 June 2020 (31 March 2020: approximately HK\$63,000), which are non-interest bearing and repayable on demand.

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

14. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed in Notes 11, 13 and 16 to this report, the Group had the following significant related party transactions during the periods:

(a) Transactions with related party

Name of related party	Nature of transaction	Three months ended	Six months ended	Six months ended	
		30/06/2020 (unaudited) HK\$'000	30/09/2019 (unaudited) HK\$'000	30/06/2020 (unaudited) HK\$'000	30/06/2019 (unaudited) HK\$'000
(FOR INFORMATION PURPOSE ONLY)					
Anhui Zhong Zhi Huan Intelligent Logistics Co., Ltd.* (安徽中之環智慧物流有限公司) (Note (i))	Revenue from smart logistics and information technology services	-	-	2,011	-
Shenzhen Qianhai Fu Xin Tai Factoring Co., Ltd.* (深圳市前海福鑫泰保理有限公司) (Note (i))	Revenue from smart logistics and information technology services	-	-	635	-
Top Wealthy Limited (Notes (ii) and (iii))	Rental expense from short-term leases	150	300	300	300
	Management fee	31	69	63	68
Grand Faith International Investment Limited (Notes (i) and (ii))	Rental expense from short-term leases	300	-	700	-
	Management fee	2	-	4	-

* For identification only

Notes:

- (i) The companies were controlled by Mr. Yu Zhuyun.
- (ii) The management fee and rental expenses for premise payable to the above related party are based on the agreements entered into between the parties involved.
- (iii) Top Wealthy is owned by Ms. Tsui Kwok Ying (resigned as non-executive director on 4 October 2019), Ms. Ng Chung Yan May (resigned as executive director on 4 October 2019) and Ms. Tang Shuk Ngar, Elli (the spouse of Mr. Ng Chi Bun Benjamin (resigned as executive director on 4 October 2019)) as to 62.5%, 12.5% and 25% respectively.

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

14. RELATED PARTY TRANSACTIONS (Continued)

- (b) The compensation to key management personnel during the period was approximately HK\$728,000 (six months ended 30 September 2019: approximately HK\$3,867,000).

15. SURETY BONDS AND CONTINGENT LIABILITIES

At 30 June 2020, the Group had contingent liabilities in respect of surety bonds to guarantee the due and proper performance of the obligation undertaken by the Group for projects amounting to approximately HK\$33,690,000 (31 March 2020: approximately HK\$41,998,000). The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract.

At 30 June 2020, the Group paid a cash collateral of approximately HK\$10,730,000 (31 March 2020: approximately HK\$13,330,000) to the insurance companies for the issuance of surety bonds and are included in other receivables, deposits and prepayments (Note 11).

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

16. ACQUISITION OF A SUBSIDIARY

Acquisition of Zhuhai Zhonghuanyun Health Management Co., Ltd.* (珠海中環雲健康管理有限公司) (“Zhuhai Zhonghuanyun”)

In March 2020, Central Yunzhi Health Technology (Zhejiang) Co., Ltd.* (中環雲智健康科技(浙江)有限公司), an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Zhejiang Central Agricultural Development Co., Ltd.* (浙江中環農業開發有限公司) and Mr. Yu Zhuyun to acquire 100% of the issued share capital of Zhuhai Zhonghuanyun for consideration of nil. In April 2020, the acquisition of 100% of the issued share capital of Zhuhai Zhonghuanyun had been completed. Zhuhai Zhonghuanyun is principally engaged in provision of healthcare and wellness business.

Consideration transferred

	HK\$'000
Cash	–

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

16. ACQUISITION OF A SUBSIDIARY (Continued)

Acquisition of Zhuhai Zhonghuanyun (Continued)

Assets acquired and liabilities recognised at the date of acquisition

	HK\$'000
Current assets	
Other receivables	30
Current liabilities	
Amounts due to related companies	(200)
Net liabilities	(170)

The fair value of other receivables at the date of acquisition amounted to approximately HK\$30,000. The gross contractual amounts of those other receivables acquired amounted to approximately HK\$30,000 at the date of acquisition.

Goodwill arising on acquisition

	HK\$'000
Consideration transferred	–
Add: fair value of net liabilities acquired — shown as above	170
Goodwill arising on acquisition	170

Goodwill arose in the acquisition of Zhuhai Zhonghuanyun because it enables the Group to diversify the business in a realm with potential growth opportunity and the Group considers that the investment in Zhuhai Zhonghuanyun will provide another source of income to the Group. This represents an opportunity for the Group to invest into a business of health and wellness business so as to diversify its business portfolio. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE PERIOD FROM 1 APRIL 2020 TO 30 JUNE 2020

16. ACQUISITION OF A SUBSIDIARY (Continued)

Net cash outflow on acquisition of Zhuhai Zhonghuanyun

	HK\$'000
Consideration paid in cash	–
Less: cash and cash equivalents acquired	–
Net cash outflow	–

Included in the loss for the period was loss of approximately HK\$45,000 attributable to the additional business generated by Zhuhai Zhonghuanyun. Zhuhai Zhonghuanyun had not contributed to the Group's revenue between the date of acquisition and 30 June 2020.

Had the acquisition been completed on 1 April 2020, revenue for the period of the Group would have been approximately HK\$42,902,000, and loss for the period of the Group would have been approximately HK\$11,598,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2020, nor is it intended to be a projection of future results.

17. EVENTS AFTER THE REPORTING PERIOD

SHARE SUBDIVISION

On 29 June 2020, the Company proposed to subdivide (the "**Share Subdivision**") every existing Share (both issued and unissued) of par value of HK\$0.01 into four shares of par value of HK\$0.0025 each (the "**Subdivided Shares**"). On 3 August 2020 the Share Subdivision was approved by the shareholders at the extraordinary general meeting of the Company. The Share Subdivision became effective on 5 August 2020. As a result of the Share Subdivision, the authorised share capital of the Company became HK\$50,000,000 divided into 20,000,000,000 Subdivided Shares, of which 1,056,000,000 Subdivided Shares are in issue and fully paid or credited as fully paid.

CONTINUING CONNECTED TRANSACTION

On 7 July 2020, Anhui Zhongzhihuan Construction Engineering Co., Ltd. (安徽中之環建築工程有限公司) ("**Anhui Zhongzhihuan Construction**"), an indirect wholly owned subsidiary of the Company and Linquan Zhongzhihuan Property Development Limited (臨泉中之環置業有限公司) ("**Linquan Zhongzhihuan Property**") entered into 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 (inclusive of value-added tax) from time to time for the period commencing on 27 December 2020 until 31 December 2022. On 27 August 2020, continuing connected transaction was approved by independent shareholders at the extraordinary general meeting of the Company.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has occurred after the Period and up to the date of this report.

Corporate Governance and Other Information

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be maintained pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follow:

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

Name of Director	Capacity/Nature of Interest	Number of Shares held/interested	Percentage of Issued Share Capital
Mr. Yu Zhuyun	Interest in controlled corporation (Note)	792,000,000	75%

Corporate Governance and Other Information

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

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

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

Note: Pursuant to a share charge dated 8 August 2019, Mr. Yu Zhuyun charged his entire issued shares of Central Culture Resource Group Limited in favour of Huatai Financial Holdings (Hong Kong) Limited.

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

As at 30 June 2020, so far as is known to the Directors, the following person (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be maintained by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares held/ Interest	Percentage of Issued Share Capital
Central Culture Resource Group Limited (Note)	Beneficial Owner	792,000,000	75%

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

Corporate Governance and Other Information

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company on 13 March 2018, the Company adopted a share option scheme (the **"Share Option Scheme"**) with effect from 13 March 2018. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group and to promote the business of the Group. As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 26,400,000 Shares, representing 10% of the entire issued share capital of the Company. No share option has been granted, exercised, cancelled or lapsed since its effective date and up to the date of this report.

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

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

COMPETING INTERESTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

INTERIM DIVIDEND FOR THE THREE MONTHS ENDED 30 JUNE 2020

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

CHANGE IN DIRECTOR'S INFORMATION

There is no change in Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's Annual Report 2020.

AUDIT COMMITTEE

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

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

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

Corporate Governance and Other Information

REVIEW OF INTERIM FINANCIAL RESULTS

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

By Order of the Board

Central Holding Group Co. Ltd.

Yu Zhuyun

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 August 2020