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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)

**UNAUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

UNAUDITED ANNUAL RESULTS HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2021 amounted to approximately HK\$1,086.2 million (for the nine months ended 31 December 2020: approximately HK\$373.5 million).
- Profit attributable to the owners of the Company for year ended 31 December 2021 amounted to approximately HK\$62.0 million (for the nine months ended 31 December 2020: Loss attributable to the owners of the Company approximately HK\$0.75 million).
- Basic and diluted earnings per Share for the year ended 31 December 2021 amounted to approximately HK cents 5.87 (for the nine months ended 31 December 2020: Basic and diluted loss per Share approximately HK cents 0.07).
- Earnings before interest, taxes, depreciation, and amortisation for the year ended 31 December 2021 amounted to a profit of approximately HK\$92.2 million (for the nine months ended 31 December 2020: a loss of approximately HK\$7.3 million).
- The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (for the nine months ended 31 December 2020: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Central Holding Group Co. Ltd. (the “**Company**”) is pleased to present the unaudited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Year**”) together with the comparative figures for the nine months ended 31 December 2020 (the “**Previous Reporting Period**”) as below.

For the reasons explained in the paragraph headed “Audit Committee and Review of Unaudited Annual Results” in this announcement, the audit process for the annual results of the Group for the Reporting Year has not been completed as at the date of this announcement.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	Year ended 31 December 2021 HK\$’000 (unaudited)	Nine months ended 31 December 2020 HK\$’000 (audited)
Revenue	3	1,086,236	373,527
Direct costs		(1,034,470)	(368,301)
Gross profit		51,766	5,226
Other income and gains/(loss)	3	41,413	3,207
Gain on fair value changes of investment properties		45,254	35,703
Selling expenses		(8,257)	(3,857)
Administrative and other operating expenses		(47,224)	(36,326)
Finance costs		(3,413)	(76)
Profit before income tax	4	79,539	3,877
Income tax expense	5	(19,253)	(4,529)
Profit/(loss) for the year/period		60,286	(652)

	Year ended 31 December 2021	Nine months ended 31 December 2020
<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Other comprehensive income/(expense) <i>Items that may be reclassified subsequently to profit or loss:</i>		
— Exchange differences arising on translation of foreign operations	7,575	2,395
— Reclassification of cumulative translation reserve upon disposal of foreign operations	<u>(210)</u>	<u>—</u>
Other comprehensive income for the year/period, net of tax	<u>7,365</u>	<u>2,395</u>
Total comprehensive income for the year/period	<u>67,651</u>	<u>1,743</u>
Profit/(loss) for the year/period attributable to:		
Owners of the Company	61,985	(749)
Non-controlling interests	<u>(1,699)</u>	<u>97</u>
	<u>60,286</u>	<u>(652)</u>
Total comprehensive income/(expense) for the year/period attributable to:		
Owners of the Company	67,887	1,641
Non-controlling interests	<u>(236)</u>	<u>102</u>
	<u>67,651</u>	<u>1,743</u>
	<i>HK Cents</i>	<i>HK Cents</i>
Earnings/(loss) per share attributable to owners of the Company		
— Basic and diluted earnings/(loss) per share	6	<u>5.87</u>
		<u>(0.07)</u>

Details of dividends are disclosed in Note 7.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	31 December 2021 <i>HK\$'000</i> (unaudited)	31 December 2020 <i>HK\$'000</i> (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		26,621	20,873
Right-of-use assets		6,066	13,260
Investment properties		257,439	71,149
Intangible assets		3,845	4,115
Deposit and prepayment for life insurance policy		3,214	3,136
		297,185	112,533
Current assets			
Properties under development for sale		–	66,914
Properties available for sale		92,369	–
Contract assets		136,894	167,611
Trade and other receivables	8	194,799	78,809
Tax recoverable		561	863
Cash and bank balances		50,373	53,757
		474,996	367,954
Total assets		772,181	480,487
EQUITY			
Capital and reserves			
Share capital		2,640	2,640
Reserves		227,408	159,715
		230,048	162,355
Equity attributable to owners of the Company		230,048	162,355
Non-controlling interests		1,166	102
		231,214	162,457
Total equity		231,214	162,457

		31 December 2021	31 December 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		5,079	6,555
Liabilities for long service payments		884	820
Amounts due to related companies		103,196	–
Borrowings		28,000	–
Deferred tax liabilities		11,050	6,348
		<u>148,209</u>	<u>13,723</u>
Current liabilities			
Contract liabilities		18,880	76,865
Trade and other payables	9	279,004	175,295
Lease liabilities		1,211	1,765
Amounts due to related companies		–	49,087
Borrowings		79,047	–
Tax payables		14,616	1,295
		<u>392,758</u>	<u>304,307</u>
Total liabilities		<u>540,967</u>	<u>318,030</u>
Total equity and liabilities		<u>772,181</u>	<u>480,487</u>
Net current assets		<u>82,238</u>	<u>63,647</u>
Total assets less current liabilities		<u>379,423</u>	<u>176,180</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

The Company was incorporated in the Cayman Islands on 29 March 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares (the “**Shares**”) have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 29 March 2018. As at 31 December 2021, its parent and ultimate holding company is Central Culture Resource Group Limited, a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability and wholly-owned by Mr. Yu Zhuyun (“**Mr. Yu**”), the controlling shareholder of the Company.

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

The financial year end date of the Company and the Group has been changed from 31 March to 31 December to align the financial year end date of the Company with that of its subsidiaries. Accordingly, the current accounting period covers a period of the year from 1 January 2021 to 31 December 2021. The corresponding comparative amounts shown in the unaudited consolidated statement of profit or loss and other comprehensive income and related notes covering a period of nine months from 1 April 2020 to 31 December 2020 are therefore not entirely comparable with those of the current year.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2.2 Changes in accounting policies and disclosures

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

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 *Leases* (“HKFRS 16”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current year and prior periods and/or on the disclosures set out in these unaudited consolidated financial statements.

3. REVENUE, OTHER INCOME AND GAINS/(LOSS) AND SEGMENT INFORMATION

Revenue, other income and gains/(loss) recognised during the current year and prior period are as follows:

	Year ended 31 December 2021 <i>HK\$'000</i> (unaudited)	Nine months ended 31 December 2020 <i>HK\$'000</i> (audited)
Revenue		
Foundation works, superstructure building works and construction materials supplies	684,219	308,528
Property development	85,769	–
Property management	40,370	5,867
Supply chain of F&B	93,149	–
Health and wellness	176,139	58,500
Logistics services and information technology development	6,590	632
	<u>1,086,236</u>	<u>373,527</u>
Other income and gains/(loss)		
Interest income	97	108
Gain on disposal of property, plant and equipment	46	–
Loss on disposal of subsidiaries	(908)	–
Government grants	536	2,010
Operating lease income — machinery and equipment	3,380	914
Waiver of repayment obligation for a loan	37,800	–
Sundry income	462	175
	<u>41,413</u>	<u>3,207</u>

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, superstructure building works and construction materials supplies — 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 supplying of construction materials;
- (ii) Property development and investment — development and sale of properties and holding of properties for investment and leasing purposes;
- (iii) Property management — provision of property management services, which include security, cleaning, greening, gardening, repair and maintenance;
- (iv) F&B supply chain — provision of agriculture products, food and beverage materials supply chain business;
- (v) Health and wellness — provision of health and wellness services, which include the healthcare consulting and sales of healthcare products and healthy food; and
- (vi) Smart logistic and information system — provision of logistics services and information technology development.

The Group has introduced additional segments of F&B supply chain during the Reporting Year.

Segment revenue and results

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

For the year ended 31 December 2021

	Foundation works, superstructure building works and construction materials supplies HK\$'000 (unaudited)	Property development and investment HK\$'000 (unaudited)	Property management HK\$'000 (unaudited)	F&B supply chain HK\$'000 (unaudited)	Health and wellness HK\$'000 (unaudited)	Smart logistic and information system HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
REVENUE								
Revenue from external customers	684,219	85,769	40,370	93,149	176,139	6,590	-	1,086,236
Inter-segment sales	73,997	-	-	-	-	-	(73,997)	-
	<u>758,216</u>	<u>85,769</u>	<u>40,370</u>	<u>93,149</u>	<u>176,139</u>	<u>6,590</u>	<u>(73,997)</u>	<u>1,086,236</u>
RESULT								
Segment profit/(loss)	<u>(4,952)</u>	<u>69,943</u>	<u>2,564</u>	<u>(1,982)</u>	<u>(7,266)</u>	<u>(2,373)</u>	-	55,934
Other income and gains/(loss)								41,413
Unallocated corporation expenses								(14,395)
Finance costs								<u>(3,413)</u>
Profit before income tax								<u>79,539</u>

For the nine months ended 31 December 2020

	Foundation works, superstructure building works and construction materials supplies <i>HK\$'000</i> (audited)	Property development and investment <i>HK\$'000</i> (audited)	Property management <i>HK\$'000</i> (audited)	Health and wellness <i>HK\$'000</i> (audited)	Smart logistic and information system <i>HK\$'000</i> (audited)	Elimination <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (audited)
REVENUE							
Revenue from external customers	308,528	-	5,867	58,500	632	-	373,527
Inter-segment sales	56,551	-	-	-	-	(56,551)	-
	<u>365,079</u>	<u>-</u>	<u>5,867</u>	<u>58,500</u>	<u>632</u>	<u>(56,551)</u>	<u>373,527</u>
RESULT							
Segment profit/(loss)	<u>6,844</u>	<u>34,393</u>	<u>(1,502)</u>	<u>575</u>	<u>619</u>	-	40,929
Other income and gains/(loss)							3,207
Unallocated corporation expenses							(40,183)
Finance costs							(76)
Profit before income tax							<u>3,877</u>

Segment revenue reported above represents revenue generated from external customers. Inter-segment revenue is charged at prevailing market rates.

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

Segment assets and liabilities

	31 December 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Segment assets		
Foundation works, superstructure building works and construction materials supplies	334,064	241,780
Property development and investment	353,774	149,983
Property management	13,803	10,502
F&B supply chain	4,048	–
Health and wellness	9,081	1,686
Smart logistic and information system	319	2,693
	<hr/>	<hr/>
Total segment assets	715,089	406,644
Unallocated corporate assets	57,092	73,843
	<hr/>	<hr/>
Consolidated total assets	772,181	480,487
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Foundation works, superstructure building works and construction materials supplies	250,432	160,782
Property development and investment	217,823	66,847
Property management	15,697	19,584
F&B supply chain	6,025	–
Health and wellness	14,432	954
Smart logistic and information system	1,506	128
	<hr/>	<hr/>
Total segment liabilities	505,915	248,295
Unallocated corporate liabilities	35,052	69,735
	<hr/>	<hr/>
Consolidated total liabilities	540,967	318,030
	<hr/> <hr/>	<hr/> <hr/>

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

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

4. PROFIT BEFORE INCOME TAX

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

	Year ended 31 December 2021 HK\$'000 (unaudited)	Nine months ended 31 December 2020 HK\$'000 (audited)
Auditors' remuneration	1,450	1,360
Depreciation of property, plant and equipment	7,480	2,676
Depreciation of right-of-use assets	1,880	797
Provision for impairment losses on trade receivables	2,088	759
Provision for impairment losses on contract assets	38	497
Provision for impairment losses on other receivables and deposits	146	252
Rental expense from short-term leases	1,893	1,701
Covid-19-related rent concessions	–	(96)
Staff costs (including directors' emoluments)	49,699	30,147

5. INCOME TAX EXPENSE

	Year ended 31 December 2021 HK\$'000 (unaudited)	Nine months ended 31 December 2020 HK\$'000 (audited)
Hong Kong Profits Tax		
— Current tax	–	–
The PRC Enterprise Income Tax		
— Current tax	14,769	1,045
Deferred tax	4,484	3,484
Income tax expense	19,253	4,529

6. EARNINGS/(LOSS) PER SHARE

	Year ended 31 December 2021 (unaudited)	Nine months ended 31 December 2020 (audited)
Profit/(loss) attributable to owners of the Company (HK\$'000)	<u><u>61,985</u></u>	<u><u>(749)</u></u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share (in thousand)	<u><u>1,056,000</u></u>	<u><u>1,056,000</u></u>
Basic earnings/(loss) per share (HK cent)	<u><u>5.87</u></u>	<u><u>(0.07)</u></u>

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

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

7. DIVIDENDS

No dividend was proposed or paid by the Board for the year ended 31 December 2021 (the nine months ended 31 December 2020: Nil).

8. TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade receivables	146,893	38,025
Less: Provision for impairment losses on trade receivables	(2,919)	(802)
	143,974	37,223
Other receivables, deposits and prepayments	51,298	41,902
Less: Provision for impairment losses on other receivables and deposits	(473)	(316)
	50,825	41,586
	194,799	78,809

Notes:

- (a) The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The credit period granted to customers is generally between 7 to 270 days.
- (b) The ageing analysis of the trade receivables (including amounts due from related companies of trading in nature) based on payment certificate date/invoice date is as follows:

	31 December 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
0–30 days	61,651	29,811
31–60 days	6,370	3,308
61–90 days	54,801	273
Over 90 days	24,071	4,633
	146,893	38,025

9. TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade payables	239,056	149,343
Accruals and other payables	39,948	25,952
	<u>279,004</u>	<u>175,295</u>

Notes:

- (a) Payment terms granted by suppliers are generally between 7 to 270 days from the invoice date of the relevant purchases.
- (b) The ageing analysis of trade payables based on the invoice date is as follows:

	31 December 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
0–30 days	192,721	56,750
31–60 days	14,226	15,795
61–90 days	1,503	68,125
Over 90 days	30,606	8,673
	<u>239,056</u>	<u>149,343</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Directors are of the view that the construction business environment in which the Group operates in Hong Kong has become tough and the Group’s superstructure and construction gross profit and gross profit margin will continue to be under pressure due to low bidding price on the tenders, which will in turn affect the business performance of the Group. The Group will be prudent in managing construction business operations and evaluating business development opportunities in Hong Kong to diversify the revenue sources and therefore the Group can minimise possible exposure to the uncertainties in the Hong Kong market.

During the Reporting Year, the Group has successfully expanded its construction business in a diverse range of related businesses in the PRC, such as buildings, constructions works and construction materials supplies, property development, property management, food and beverage (“F&B”) supply chain, health and wellness business, and provision of smart logistics and information system. Satisfactory performance was recorded during the Reporting Year.

As at 31 December 2021, the Group has six main segments, which are (i) foundation works, superstructure building works and construction materials supplies; (ii) property development and investment properties business; (iii) properties management; (iv) F&B supply chain; (v) health and wellness services; and (vi) smart logistic and information technology development. We seek to achieve synergistic value amongst the segments in order to obtain higher returns and greater business opportunities.



Building works, constructions and materials supplies



Property development and investment properties



Property management



F&B supply chain



Health and wellness services



Smart logistic and information technology

Foundation works, superstructure building works and construction materials supplies

During the Reporting Year, the revenue from the foundation works, superstructure building works and construction materials supplies segment was approximately HK\$684.2 million (Previous Reporting Period: approximately HK\$308.5 million), which accounted for approximately 62.9% (Previous Reporting Period: approximately 82.6%) of the Group's total revenue. The increase was mainly due to additional construction and building works of Huai Yuan Project and Liquan Project in the PRC and strong growth in sales volume of construction materials during the Reporting Year.

Property development and investment properties business

Quzhou — Rural and wellness Project

During the Reporting Year, the revenue from the property development and investment properties segment was approximately HK\$85.7 million (Previous Reporting Period: Nil), which accounted for approximately 7.8% (Previous Reporting Period: Nil) of the Group's total revenue. The increase was mainly due to the completion of bungalow project in Quzhou City, which was launched for sale during the Reporting Year.

The total site area of the project is approximately 27,920 sq.m, and the gross floor area (“GFA”) thereof is approximately 37,356 sq.m.. The condominium and hotel has been completed in end of 2021, and the Group intends to hold a total gross floor area of approximately 18,599 sq.m for hotel leasing to generate rental income in the future.

Property management services

Property management services include security, cleaning, greening, gardening, repair and maintenance in the PRC. As at 31 December 2021, GFA under property management services provided by the Group was approximately 2.45 million sq.m. (Previous Reporting Period: approximately 1.81 million sq.m) and the revenue from the property management business segment was approximately HK\$40.3 million (Previous Reporting Period: HK\$5.9 million), which accounted for approximately 3.7% (Previous Reporting Period: 1.6%) of the Group's total revenue.

Food and Beverage Supply Chain

F&B supply chain includes supply chain services of agriculture products, frozen meat and other F&B materials. As at 31 December 2021, the revenue from F&B supply chain segment was approximately HK\$93.2 million (Previous Reporting Period: Nil), which accounted for approximately 8.6% (Previous Reporting Period: Nil) of the Group's total revenue.

Health and wellness services

Health and wellness business includes supplying of healthcare products, green food and beauty products. During the Reporting Year, the revenue in health and wellness business was approximately HK\$176.1 million (Previous Reporting Period: HK\$58.5 million), which accounted for approximately 16.2% (Previous Reporting Period: 15.7%) of the Group's total revenue.

Smart logistic and information system

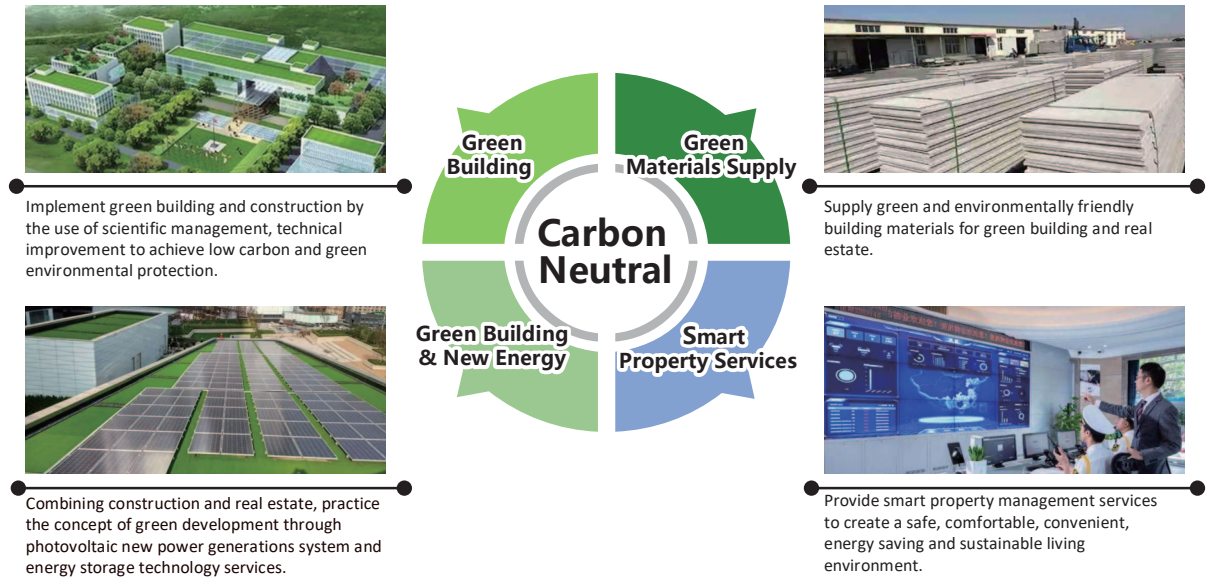
During the Reporting Year, the revenue in smart logistic and information system segment was approximately HK\$6.6 million (Previous Reporting Period: HK\$0.6 million), which accounted for approximately 0.6% (Previous Reporting Period: 0.2%) of the Group's total revenue.

FUTURE PLANS AND PROSPECTS

China aims to reach the CO₂ emissions peak before 2030 and achieve carbon neutrality before 2060. Prior to setting such goal, China had already invested heavily in energy conservation and emission reduction, and now it's ramping up efforts to achieve the timeline. A deep transformation of the energy system through a combination of decarbonising power generation, electrifying end-use sectors, and switching to low-carbon fuels will not just generate health co-benefits but are actually essential for long-term air quality improvements, better public health and the country's Beautiful China vision.

Carbon neutrality and zero emissions are reshaping investment in unprecedented ways. In the next three decades, the investment scale required to achieve carbon neutrality in China will be more than RMB100 billion, which will bring huge development opportunities for green energy investment.

We seek to the green buildings and new green energy business opportunities in order to obtain higher returns for shareholders. The Group is also committed to respond to the national policies with the concept of carbon neutrality, to cultivate the green buildings and new green energy under the Group’s existing business foundation of construction and building works, devoted to contribute to the development of ecological habitat industry, striving to create a low-carbon, energy-saving, ecological and environmentally friendly and clean living environment.



Furthermore, the Group also aims to generate long-term value for our shareholders (the “Shareholders”) through the strategic investment and pre-IPO investment in high growth industries with future investment potential, including but not limited to metaverse online gaming, photovoltaic and low carbon industry, new energy battery charging and robotics industry. The Group believes that the strategic investment could expand the Group’s business opportunity and broaden its income sources.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Reporting Year amounted to approximately HK\$1,086.2 million, i.e. about 191% more than that of approximately HK\$373.5 million for the Previous Reporting Period. The improvement was primarily due to the combined effect of: (i) net increase in revenue from the foundation works, superstructure building works and construction materials supplies segment which amounted to approximately HK\$684.2 million, which was driven by strong growth in sales volume of construction materials and new construction and building works of Huai Yuan Project (“懷遠”) and Liquan Project (“臨泉”) in the PRC during the Reporting Year (Previous Reporting Period: HK\$308.5 million); (ii) increase in revenue from the property development segment which amounted to approximately HK\$85.7 million (Previous Reporting Period: Nil) as a result of new launch of bungalows for sale under the Rural and wellness Project in Quzhou, the PRC; (iii) increase in revenue from the health and wellness segment which amounted to approximately HK\$176.1 million (Previous Reporting Period: HK\$58.5 million), and (iv) increase in revenue from property management segment accounted for approximately HK\$40.4 million as a result of acquisition of a property management company on 10 November 2020.

	Year ended 31 December 2021 HK\$'000 (unaudited)	Nine months ended 31 December 2020 HK\$'000 (audited)
Foundation works, superstructure building works and construction materials supplies	684,219	308,528
Property development	85,769	–
Property management	40,370	5,867
F&B supply chain	93,149	–
Health and wellness	176,139	58,500
Smart logistic and information system	6,590	632
	<u>1,086,236</u>	<u>373,527</u>

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Year amounted to approximately HK\$51.8 million, representing an increase of approximately 896% as compared with the Previous Reporting Period. The increase was mainly due to the increase in revenue as a result of higher profit margin in the new launch of bungalows for sale under the Rural and wellness Project in Quzhou, the PRC.

Other Income and Gains/(Loss)

The Group's other income and gains/(loss) for the Reporting Year amounted to approximately HK\$41.4 million, representing an increase of approximately 1,193% compared with approximately HK\$3.2 million for the Previous Reporting Period. The increase was mainly attributable to the combined effect of: (i) waiver of repayment obligation for a loan and (ii) operating lease income from machinery and equipment for the Reporting Year as compared with the Previous Reporting Period.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the Reporting Year amounted to approximately HK\$47.2 million, representing an increase of approximately 30.0% compared with approximately HK\$36.3 million for the Previous Reporting Period. The increase was mainly due to the costs for the recruitment of new staff and office rental expenses as a result of development of new business segments during the Reporting Year.

Income Tax Expense

The Group's income tax expense has increased by approximately 329% from approximately HK\$4.5 million for the Previous Reporting Period to approximately HK\$19.3 million for the Reporting Year. Such increase was mainly due to the deferred tax expenses on land appreciation tax of investment properties of approximately HK\$4.5 million and tax expenses of PRC enterprise of approximately HK\$14.8 million.

Net Profit

The Group reported a net profit for the Reporting Year of approximately HK\$60.3 million, while the Group reported a net loss of approximately HK\$0.65 million for the Previous Reporting Period. The turnaround from net loss to net profit was primarily attributable to (i) an increase in revenue; (ii) an increase in gross profit margin; (iii) the launch of bungalows for sale under the Rural and wellness Project in Quzhou, the PRC; (iv) waiver of repayment obligation for a loan and (v) a fair value gain on investment properties through profit and loss, for the Reporting Year as compared with the corresponding period in 2020.

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

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

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

	Year ended 31 December 2021 HK\$’000 (unaudited)	Nine months ended 31 December 2020 HK\$’000 (audited)
Profit/(loss) for the year/period	60,286	(652)
Interest income	(97)	(108)
Finance costs	3,413	76
Taxation	19,253	4,529
Depreciation	9,360	3,473
EBITDA	<u>92,215</u>	<u>7,318</u>

EBITDA for the Reporting Year amounted to a profit of approximately HK\$92.2 million, representing an increase of approximately 1,163% as compared with a profit of approximately HK\$7.3 million for the Previous Reporting Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 December 2021, the Group had cash and bank balances of approximately HK\$50.4 million (Previous Reporting Period: approximately HK\$53.8 million). The decrease was mainly due to the payment for the new development and investment properties project in Quzhou City, Zhejiang, the PRC.

As at 31 December 2021, the share capital and equity attributable to owners of the Company amounted to approximately HK\$2.6 million and HK\$230.0 million, respectively (Previous Reporting Period: approximately HK\$2.6 million and HK\$162.4 million, respectively).

The current ratio remained at 1.2 times during the Reporting Year (Previous Reporting Period: 1.2 times).

Foreign Exchange Risk

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

EMPLOYEES

The Group had 468 employees (including full-time and casual employees who are paid on a daily basis) as at 31 December 2021 (Previous Reporting Period: 382). Total staff costs including Directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave for the Reporting Year amounted to approximately HK\$49.7 million (Previous Reporting Period: approximately HK\$30.1 million). The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and job training programs, salary increment and discretionary bonuses may be awarded to employees upon approval by the Board according to the Group's operating results, individual performance and market situation.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2021 and 2020.

CONTINGENT LIABILITIES

Our subsidiaries are involved in a number of potential claims relating to employees' compensation cases and personal injuries claims as well as summonses for safety-related incidents in the ordinary course of business as at the date of this announcement. The Directors considered that the possibility of any outflow in settling (i) the potential personal injury claims were 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 injury claims and the summonses is necessary after due consideration of each case.

USE OF PROCEEDS FROM THE LISTING

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

The below table sets out the use of the Net Proceeds and the unutilised amount as at 31 December 2021:

	Original use of the Net Proceeds	Revised use of the Net Proceeds	Actual use of the Net Proceeds as at 31 December 2021	Unutilised amount as at 31 December 2021	Expected timeline
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Hiring of additional staff	11,600	11,600	6,342	5,258	End of 2022
Acquisition of additional machinery and equipment	54,900	43,900	34,102	9,798	End of 2022
General working capital	7,000	18,000	7,000	11,000	End of 2022
Total	73,500	73,500	47,444	26,056	

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

FINAL DIVIDEND

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

EVENTS AFTER THE REPORTING YEAR

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

CORPORATE GOVERNANCE CODE

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

During the Reporting Year and up to the date of this announcement, the Company had complied with all the applicable Code Provisions of the CG Code, except for Code Provision A.2.1 (which has been renumbered as Code Provision C.2.1 since 1 January 2022) of the CG Code as explained below:

Mr. Yu Zhuyun was appointed as the chief executive officer (the “**CEO**”) with effect from 30 April 2020, and is currently serving as both the chairman of the Board (the “**Chairman**”) and the CEO. Such practice deviates from Code Provision A.2.1 (which has been renumbered as Code Provision C.2.1 since 1 January 2022) of the CG Code. The Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group’s business strategies and enhance its operational efficiency. The Board is currently comprised of two executive Directors, two non-executive Directors and three independent non-executive Directors, which is appropriately structured to ensure that there is a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders. Therefore, the Board considers that the deviation from Code Provision A.2.1 (which has been renumbered as Code Provision C.2.1 since 1 January 2022) of the CG Code is appropriate in such circumstance.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

SHARE OPTION SCHEME

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

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

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

COMPETING INTERESTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the “**AGM**”) of the Company will be held on 17th June 2022. A notice convening the AGM will be issued and sent to the Shareholders in due course in the manner required under the Listing Rules. The register of members of the Company will be closed from 14 June 2022 to 17 June 2022 (both dates inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 13 June 2022.

AUDIT COMMITTEE AND REVIEW OF UNAUDITED ANNUAL RESULTS

The Company established the audit committee (the “**Audit Committee**”) on 13 March 2018 in accordance with Rule 3.21 of the Listing Rules with the written terms of reference in compliance with the CG Code as set out in Appendix 14 of the Listing Rules. The Audit Committee consists of three Directors, namely Mr. Wang Wenxing and Dr. Li David Xianglin, each being an independent non-executive Director, and Mr. Qiao Xiaoge, being a non-executive Director. Mr. Wang Wenxing currently serves as the chairperson of the Audit Committee. The Group’s unaudited consolidated results for the Reporting Year have been reviewed by the Audit Committee. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosure has been made.

Due to the recent COVID-19 Omicron variant outbreak in Hong Kong and several major cities in the PRC and the stringent quarantine control measures imposed by both governments, the auditing processes of the financial results of the Group for the Reporting Year have been severely affected. A series of measures such as mandatory isolation and city lockdown have been implemented in several cities in the PRC, including Shanghai and Quzhou, where the offices of the Company are located at. As a result, the Group’s financial team in these locations have been working remotely. In addition, some bank confirmations were outstanding from the bank in the PRC to the Hong Kong office of the auditors due to the courier restrictions between the PRC and Hong Kong, which led to delay and limitations to certain audit work required to be performed by the Company’s auditors. As a result, additional time has been required for the Company’s auditors to complete its audit work and completing its audit procedures. In view of the above, the unaudited annual results for the Reporting Year contained herein have not been agreed by the Company’s auditors as required under Rule 13.49 of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the Reporting Year as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. It is expected that the auditing process will be completed on or before 22 April 2022.

PUBLICATION OF UNAUDITED ANNUAL RESULTS AND ANNUAL REPORT

This unaudited annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chghk.com. The annual report of the Company for the Reporting Year containing all information required by the Listing Rules will be despatched to the Shareholders and will be published on the websites of both the Stock Exchange and the Company in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 March 2022

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