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CENTRAL DEVELOPMENT HOLDINGS LIMITED

中發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 475)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

The board (the “Board”) of directors (the “Director(s)”) of Central Development Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2020 which have been reviewed by the Company’s audit committee and external auditor, together with the comparative figures for the corresponding previous period as follows:

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

		Six months ended 30 September	
		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	14,307	66,364
Cost of sales		(13,749)	(63,137)
Gross profit		558	3,227
Other income	5	2,164	1,025
Other gains and losses, net		999	(243)
Selling and distribution costs		(773)	(3,964)
Administrative expenses		(8,868)	(13,090)
Other expenses		(1,396)	(1,938)
Equity-settled share-based payment		–	(845)
Finance costs	6	(2,581)	(3,177)
Loss before taxation		(9,897)	(19,005)
Income tax	7	(262)	1,595
Loss for the period	8	(10,159)	(17,410)
Other comprehensive income (expense) for the period			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		719	(1,117)
Fair value gain on revaluation of properties		19,594	6,469
Deferred tax relating to fair value gain on revaluation of properties		(4,899)	(1,617)
		15,414	3,735
Total comprehensive income (expense) for the period		5,255	(13,675)

		Six months ended	
		30 September	
		2020	2019
<i>NOTE</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Loss for the period attributable to:			
– Owners of the Company		(8,840)	(14,707)
– Non-controlling interests		(1,319)	(2,703)
		<u>(10,159)</u>	<u>(17,410)</u>
Total comprehensive income (expense)			
attributable to:			
– Owners of the Company		6,561	(10,741)
– Non-controlling interests		(1,306)	(2,934)
		<u>5,255</u>	<u>(13,675)</u>
Loss per share	9		
Basic (HK cents)		<u>(2.37)</u>	<u>(4.35)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2020

		At 30 September 2020 <i>NOTES</i> <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	11	13,931	43,083
Right-of-use assets	11	10,213	11,436
Investment properties	11	75,996	22,153
Rental deposits		230	—
		<u>100,370</u>	<u>76,672</u>
Current assets			
Inventories		6,577	6,836
Trade receivables	12	8,974	15,524
Other receivables, deposits and prepayments		21,965	15,246
Contract assets		—	274
Bank balances and cash		39,973	37,319
		<u>77,489</u>	<u>75,199</u>
Current liabilities			
Trade payables	13	11,022	14,760
Other payables and accruals		7,850	7,732
Contract liabilities		5,546	316
Loans from a shareholder		4,867	4,754
Bank borrowing		2,335	2,080
Lease liabilities		2,002	1,424
		<u>33,622</u>	<u>31,066</u>
Net current assets		<u>43,867</u>	<u>44,133</u>
Total assets less current liabilities		<u>144,237</u>	<u>120,805</u>

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Non-current liabilities		
Deferred tax liabilities	7,154	1,705
Bank borrowing	23,524	23,812
Lease liabilities	2,591	1,513
Loans from a controlling shareholder	83,094	72,129
	<u>116,363</u>	<u>99,159</u>
Net assets	<u>27,874</u>	<u>21,646</u>
Capital and reserves		
Share capital	3,723	3,723
Reserves	31,433	23,899
	<u>35,156</u>	<u>27,622</u>
Equity attributable to owners of the Company	35,156	27,622
Non-controlling interests	(7,282)	(5,976)
	<u>(7,282)</u>	<u>(5,976)</u>
Total equity	<u>27,874</u>	<u>21,646</u>

NOTES

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

1. BASIS OF PREPARATION

The condensed consolidated 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 with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

With the COVID-19 epidemic spreading globally, governments around the world and international organisations have taken a series of preventive and control measures as an effort to contain the COVID-19 epidemic. The COVID-19 epidemic has affected supply chain management across the jewelry and solar energy industries, leading to a global recession and weak market demand, which put the Group under pressure in respect of its jewelry business and solar energy business, and resulted reduction in the Group’s revenue in the current interim period.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair value.

Other than the additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standard (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group’s annual financial statements for year ended 31 March 2020.

Application of amendments to HKFRSs

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

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

Except as described below, 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 financial statements.

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

2.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

3. REVENUE

Disaggregation of revenue from contracts with customer

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from sales of goods:		
Jewelry products	7,855	21,233
Solar energy products	6,452	43,561
	14,307	64,794
Revenue from provision of services:		
Technical improvement services for solar energy projects	–	1,570
Total	14,307	66,364
Timing of revenue recognition		
A point in time	14,307	64,794
Over time	–	1,570
	14,307	66,364

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

For six months ended 30 September 2020 (unaudited)

	Jewelry business HK\$'000	Solar energy business HK\$'000	Total HK\$'000
Sales of jewelry products	7,855	–	7,855
Sales of solar energy products	–	6,452	6,452
	7,855	6,452	14,307

For six months ended 30 September 2019 (unaudited)

	Jewelry business HK\$'000	Solar energy business HK\$'000	Total HK\$'000
Sales of jewelry products	21,233	–	21,233
Sales of solar energy products	–	43,561	43,561
Provision of technical improvement services for solar energy projects	–	1,570	1,570
	21,233	45,131	66,364

4. SEGMENT INFORMATION

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For six months ended 30 September 2020 (unaudited)

	Jewelry business HK\$'000	Solar energy business HK\$'000	Total HK\$'000
Revenue	7,855	6,452	14,307
Segment loss	(16)	(6,929)	(6,945)
Unallocated corporate income and other gains			3,205
Unallocated corporate expenses			(4,495)
Finance costs			(1,662)
Loss before taxation			(9,897)

For six months ended 30 September 2019 (unaudited)

	Jewelry business HK\$'000	Solar energy business HK\$'000	Total HK\$'000
Revenue	21,233	45,131	66,364
Segment loss	(229)	(12,515)	(12,744)
Unallocated corporate income and other gains			1,025
Unallocated corporate expenses			(4,697)
Finance costs			(2,589)
Loss before taxation			(19,005)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during both periods.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Jewelry business	633	1,290
Solar energy business	<u>56,152</u>	<u>86,441</u>
Total segment assets	56,785	87,731
Bank balances and cash	39,973	37,319
Other unallocated assets	<u>81,101</u>	<u>26,821</u>
Consolidated assets	<u><u>177,859</u></u>	<u><u>151,871</u></u>
Jewelry business	641	1,255
Solar energy business	<u>50,372</u>	<u>48,618</u>
Total segment liabilities	51,013	49,873
Loans from a controlling shareholder and a shareholder	87,961	76,883
Other unallocated liabilities	<u>11,011</u>	<u>3,469</u>
Consolidated liabilities	<u><u>149,985</u></u>	<u><u>130,225</u></u>

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

- all assets are allocated to reportable segments other than certain property, plant and equipment, certain right-of-use assets, certain other receivables, deposits and prepayments, investment properties and bank balances and cash.
- all liabilities are allocated to reportable segments other than certain other payables and accruals, certain lease liabilities, loans from a controlling shareholder and a shareholder and deferred tax liabilities.

Geographical information

The Group's operations are mainly carried out in the People's Republic of China (the "PRC"), the country of domicile, and Hong Kong.

The revenue of the Group is mainly derived from external customers located in the PRC and Hong Kong.

The Group's revenue from external customers based on the location of customers are set out below:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The PRC	5,069	21,223
Hong Kong	9,173	45,110
Others	65	31
	14,307	66,364

Information about the Group's non-current assets based on the geographical location of the assets is set out below:

	At	At
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
The PRC	97,800	76,367
Hong Kong	2,340	305
	100,140	76,672

Note: Non-current assets excluded rental deposits.

5. OTHER INCOME

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	390	425
Rental income	1,143	531
Government grants (<i>note</i>)	189	—
Others	442	69
	2,164	1,025

Note: During the current interim period, the Group received and recognised government grants of HK\$189,000 related to Employment Support Scheme provided by the Hong Kong government.

6. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowing	860	510
Interest on lease liabilities	74	94
Interest on loans from a controlling shareholder	1,647	2,573
	<u>2,581</u>	<u>3,177</u>

7. INCOME TAX

Income tax in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Overprovision in prior year	168	—
Deferred tax	(430)	1,595
	<u>(262)</u>	<u>1,595</u>
Income tax (charge) credit for the period	<u>(262)</u>	<u>1,595</u>

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	1,851	1,076
Depreciation of right-of-use assets	1,091	937
Cost of inventories recognised as an expense	13,749	63,137
Staff costs (including directors' remuneration)	4,048	5,990
Research and development expenses (included in other expenses)	1,220	1,780
Net foreign exchange loss (included in other gains and losses, net)	42	265
Gain from change in fair value of investment properties (included in other gains and losses, net)	(1,041)	(22)
	<u>(1,041)</u>	<u>(22)</u>

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purposes of calculating basic and diluted loss per share:		
Loss for the period attributable to owners of the Company	<u>(8,840)</u>	<u>(14,707)</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	<u>372,264</u>	<u>338,154</u>

The computation of diluted loss per share for both periods does not assume the exercise of share options since it would result in a decrease in loss per share.

10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period (six months ended 30 September 2019: nil).

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the six months ended 30 September 2020, certain portion of the Group's leasehold land and buildings classified as right-of-use assets and property, plant and equipment respectively were revalued by Avista Valuation Advisory Limited ("Avista"), an independent qualified professional valuer not connected to the Group, upon reclassification to investment properties at the inception of the lease on 1 September 2020 (six months ended 30 September 2019: 31 May 2019). The fair value of the property, plant and equipment and right-of-use assets being leased on the date of the inception of the lease is RMB45,600,000 (equivalent to approximately HK\$51,514,000) (six months ended 30 September 2019: RMB20,170,000 (equivalent to approximately HK\$22,943,000)) and is reclassified to investment properties. The carrying amount on the date of the inception of the lease reclassified to investment properties from property, plant and equipment and right-of-use assets are RMB25,453,000 (equivalent to approximately HK\$28,754,000) and RMB2,803,000 (equivalent to approximately HK\$3,166,000) (six months ended 30 September 2019: RMB12,952,000 (equivalent to approximately HK\$14,732,000) and RMB1,531,000 (equivalent to approximately HK\$1,742,000)), respectively. Accordingly, the resulting revaluation surplus, being the difference between the carrying amount and the fair value of that portion of factory (including the relevant right-of-use assets), net of tax, of HK\$14,695,000 (six months ended 30 September 2019: HK\$4,852,000) is credited to the property revaluation reserve.

During the six months ended 30 September 2020, the Group entered into a new lease agreement and extended a lease agreement, both with lease term of 3 years. On lease commencement, the Group recognised right-of-use assets of HK\$2,628,000 and lease liabilities of HK\$2,603,000 (six months ended 30 September 2019: nil).

The fair value of the Group's investment properties as at 30 September 2020, 31 March 2020 and the dates of transfer have been arrived at on the basis of valuation carried out by Avista. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair values are arrived at by using income approach which capitalises the net rental income derived from the existing lease and/or achievable in the existing market with due allowance for the reversionary income potential of the lease, which has been then capitalised to determine the market value at an appropriate capitalisation rate. The management of the Group works closely with Avista to establish and determine the appropriate valuation inputs for fair value measurements, by using input of capitalisation rate at 7% derived from market rent.

12. TRADE RECEIVABLES

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Trade receivables	<u>8,974</u>	<u>15,524</u>

The Group allowed an average credit period ranging from 30 to 180 days to its customers of jewelry business and average credit period ranging from 5 to 240 days to its customers of solar energy business.

The following is an ageing analysis of trade receivables presented based on the invoice date at the end of reporting period:

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Within 30 days	1,089	8,022
31 to 90 days	126	342
91 to 180 days	–	–
Over 180 days	7,759	7,160
	<u>8,974</u>	<u>15,524</u>

13. TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of reporting period:

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Within 30 days	660	2,451
31 to 90 days	237	383
91 to 180 days	–	6,348
Over 180 days	10,125	5,578
	<u>11,022</u>	<u>14,760</u>

The average credit on purchase of goods is 180 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the solar energy business and the jewelry business. For the six months ended 30 September 2020 (the “Current Period”), the Group recorded total sales of approximately HK\$14.3 million (2019: HK\$66.3 million), representing a decrease of approximately 78.4% as compared to that for the six months ended 30 September 2019 (the “Previous Period”). The decrease in revenue was mainly attributable to the continued impact of the novel coronavirus pneumonia (“COVID-19”) on the overall global economy.

Benefiting from the stable rental income from investment properties and government subsidy received in a region where the Company operates during the Current Period, the loss attributable to the owners of the Company for the Current Period was approximately HK\$8.8 million, a decrease from approximately HK\$14.7 million recorded in the Previous Period.

Solar Energy Business

During the Current Period, the Group continued to develop and expand its solar energy business in the People’s Republic of China (“PRC”) and other regions by leveraging its proprietary technology products. Segment revenue was mainly derived from the sales of various customized solar modules intelligent technology products, including solar photovoltaic modules, new energy smart direct current (“DC”) inverters and power optimizers.

The development of the solar energy industry in 2020 was essentially a continuation of past development direction, which was to shift from scale production to product sophistication. However, the uncertainty in the business environment caused by the COVID-19 epidemic has had a significant impact on the strategic planning, project development, engineering construction and production and maintenance of governments around the world and global enterprises, which has further posed higher demands and challenges to market participants in terms of their competitive advantages and cost control.

During the Current Period, revenue of the solar energy business segment amounted to approximately HK\$6.5 million, representing a decrease of approximately 85.7% as compared to approximately HK\$45.1 million in the Previous Period. The decrease was mainly due to the complicated international business environment caused by the Sino-U.S. trade conflict and the increase in friction between countries, which led to a corresponding decrease in demand and related sales orders from existing and potential customers for the Group’s solar energy products. In addition, the constructions of solar photovoltaic projects in many countries and regions, including the United States (“U.S.”) and India, were delayed or suspended as a result of government lockdown measures imposed in the wake of the COVID-19 epidemic. Many existing and potential customers were facing problems in adjusting their power plant construction schedules, and as a result, the installation and construction phases of distributed solar photovoltaic projects have been delayed, resulting in a significant decline in product sales and demand for consulting service (which are high margin).

In the face of significant uncertainties in the external environment, we have maintained an attitude of calm and preparedness towards unknown challenges by strengthening our supply chain portfolio and optimizing our product range. During the Current Period, the Group continued to leverage its patented technology use rights to develop not only its own solar intelligent technology products, but also to produce customized solar modules intelligent technology products and new energy intelligent products such as micro DC inverters and power optimizers for use in solar power stations through low-cost original equipment manufacturers. Compared to traditional string inverters, our micro inverters are more efficient, safer, simpler in design, and easier to install and monitor, and can be widely applied to both distributed and large-scale solar power stations. In addition, in response to the diverse demand for solar photovoltaic energy products in the international market, we continued to liaise and work with an advanced solar photovoltaic technology solution provider and several original equipment manufacturers to ensure reasonable procurement prices and reliable supply to meet our customers' customized needs, enabling us to maintain a stable business base in a tough business environment.

During the Current Period, we continued to focus on product research and innovation, and to promote and enhance the performance of our new energy intelligent products in order to achieve greater product competitiveness so as to maintain our long-term sustainable development advantage amid global economic uncertainties. Our research and development ("R&D") team has completed the preliminary development of an intelligent power station management platform and energy storage system during the Current Period to meet our customers' demand for more intelligent products going forward. During the Current Period, the Group also relocated its R&D and testing center in Taizhou City of Jiangsu Province to a more modern rental space with a lower rental price to provide more advanced working space for the R&D team and to get closer to our suppliers which made business contacts and delivery of goods more time-saving and convenient. With the opening of the new R&D and testing center, more idle capacity originally planned for R&D and testing purposes has been released from the factory of the Group in Yuyao City of Zhejiang Province. As a result, the idle capacity of the factory was leased out to a third party during the Current Period, which provided the Group a more stable rental income and optimized the Group's asset value, enabling the Group to maintain its long-term advantage despite the economic uncertainties during the Current Period and to better respond to the more diversified market demands in the future.

With a focus on strengthening its businesses during the Current Period, the Group had prudently and pragmatically reduced costs and expenses in response to changes in market conditions. As a result of the COVID-19 epidemic, many international solar energy exhibitions and forums had been postponed or cancelled. The Group had to lower its marketing efforts and undertook measures to reduce the human resources costs. In addition to maintaining its investment in quality control and R&D, the Group will continue to cooperate with original equipment manufacturers to further reduce the high labour expenses and other costs with a view to overcome the difficulties collaboratively.

Acquisition of 51% equity interest in Chengdu Kaibangyuan Trading Co., Ltd*

On 10 October 2020, the Company entered into an equity transfer agreement (the “Equity Transfer Agreement”) with Sichuan Huahan Energy Development Co., Ltd.* (四川華漢能源開發有限公司) as the vendor (the “Vendor”) and Chengdu Kaibangyuan Trading Co., Ltd* (成都凱邦源商貿有限公司) as the target company (the “Target Company”). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and the Target Company were both an independent third party. Pursuant to the terms and conditions of the Equity Transfer Agreement, the Company (or its wholly-owned nominee subsidiary) agreed to acquire, and the Vendor agreed to sell, 51% equity interest in the Target Company for an aggregate consideration of RMB30.6 million (the “Acquisition”). Up to the date of this announcement, the first part of the consideration of RMB5.0 million has been paid by the Company to the Vendor.

Pursuant to the Equity Transfer Agreement, the completion of the Acquisition shall take place after the satisfaction (or waiver) of all conditions precedent, and the Company has issued a completion notice to the Vendor, at the place agreed between the Company and the Vendor, but in any event no later than 31 December 2020. Upon the completion of the Acquisition, the Group will be interested in 51% of the equity interest in the Target Company. The Target Company owns two office premises, the government-approved land use rights for a filling station and a filling station with integrated structure and equipments in Chengdu City of Sichuan Province in the PRC. The Group plans to make use of the Target Company’s filling station assets to conduct pilot construction and promotion of a distributed solar photovoltaic power station in order to increase market share for solar energy products. The Group also plans to gradually expand the construction and renovation of solar photovoltaic power generation and charging stations which are in line with the future policy and market development in the PRC. Furthermore, as the space for the construction of a liquefied natural gas filling station has been reserved at the time of construction of the said filling station, the Target Company is actively preparing for the expansion of the filling station to provide liquefied natural gas filling services with a view to develop the filling station into an integrated filling station. The Board believes that more customers is expected to be attracted after the filling station developed into an integrated filling station and the overall operational efficiency will be enhanced. For details, please refer to the announcements of the Company dated 11 October 2020 and 27 October 2020.

In view of the uncertainty and complexity of the international situation brought about by the COVID-19 epidemic, the Acquisition is believed to bring positive business prospects to the Group in the PRC market and to the solar energy business as a whole. At the same time, the current operation of the filling station has the potential to diversify the Group’s revenue streams and provide a stable cash flow source for the Group.

Jewelry Business

The jewelry business is mainly focused on the provision of products to jewelry distributors. During the Current Period, the COVID-19 epidemic spread and led to the suspension of social and economic activities in most cities in the PRC and Hong Kong. The implementation of global travel bans and various health control measures by various governments around the world resulted in the cancellation of many individual travel plans, temporary closure or curtailment on the operating hours of commercial and retail shops, and a sharp decline in visitor arrivals to Hong Kong. The implementation of social distancing and quarantine measures also had a significant impact on consumer sentiment. Despite a gradual recovery in economic activity since the second quarter of 2020, consumer sentiment for luxury goods as a whole remains weak and market recovery is yet to be seen. The COVID-19 outbreak also contributed to a less-than-expected sales performance unlike previous strong sales in the Labour Day Golden Week.

Business travel restrictions severely impacted the Company's employees' ability to travel to business meetings and negotiations. As a result of the extensive travel restrictions, overseas jewelry buyers had to cancel their trips to Hong Kong and the PRC, thus significantly reducing the Group's opportunities to reach out to potential customers and secure new business.

As a result of the lower overall sales due to a weaker market sentiment, revenue generated from the jewelry business decreased by approximately 63.0% to approximately HK\$7.8 million (2019: HK\$21.2 million) for the Current Period as compared to the Previous Period. Sales from the Hong Kong segment accounted for approximately 43.4% (2019: 45.9%) of the overall segment sales, while sales from the PRC segment accounted for approximately 56.6% (2019: 54.1%). The decrease in segment revenue of the jewelry business was mainly due to the decline in demand for the Group's jewelry products, weaker consumer sentiment and the decrease in the number of potential buyers due to the postponement of various international jewelry trade shows.

Nevertheless, the Group strived to overcome the negative impact by closely monitoring its business operations, controlling costs and reducing unnecessary expenses. Once business activities are back on track, the Group will actively participate in jewelry fairs and exhibitions in order to reach out to more customers. In addition, due to the Group's long-established relationships with suppliers, the Group has been able to maintain product quality and steady supply while stabilizing procurement costs and minimizing the impact on profit margins. To broaden its sales channels in this difficult period of time, the Group has been actively preparing for the expansion of its jewelry business into the e-commerce sector. On the other hand, the Group has implemented specific cost control measures, suspended recruitment and re-arranged the priority of the use of marketing expenses to withstand the impact of the COVID-19 epidemic.

PROSPECTS

Solar Energy Business

Looking into the future, the COVID-19 outbreak and regional trade barriers are expected to continue to affect the overall global economy. Notwithstanding the prospect of a gradual economic recovery following the production of a vaccine, the Group expects the market to take time to fully recover given the severity of the impact of the outbreak.

Subsequent to the Current Period, some countries and regions have lifted their lockdown measures and the Group is gradually shipping sales orders to overseas customers. We will also gradually resume our marketing campaigns and actively participate in international solar energy exhibitions and forums in order to enhance our brand image and to promote sales to both PRC and overseas customers. The Group will strengthen its marketing efforts in the domestic PRC market in view of the PRC's favourable policy in enhancing the development of new energy in the future, and the relatively stable socio-economic environment in PRC despite of the global impact of the epidemic. The Group will also continue to invest in R&D to develop more advanced production technologies and will seek to establish more new strategic partnerships in order to open up new product markets. Nevertheless, the future remains challenging and it will take time for sales and earnings performance to return to normal levels.

Despite these ongoing headwinds, the management is confident that there exists both opportunities and challenges. Global demand for solar photovoltaic continued to expand and grow in 2020, with countries such as the PRC and the European Union introducing climate target plans with clear timelines for further reductions in greenhouse gas emissions and to achieve "carbon neutrality". While the COVID-19 epidemic has had a severe impact on the global economy, there are still some countries in Europe that are investing more in renewable energy in order to stimulate the development of renewable energy and accelerate the transformation of energy structure in order to tackle energy crisis in the future. The PRC's 14th Five-Year Plan also aims to develop green production and lifestyles extensively and to achieve a steady decline in carbon emissions from its peak. Therefore, it is expected that solar photovoltaic and other new energy sources will be one of the mainstays of the PRC's high economic growth during this period.

In order to further reduce carbon emissions, the targets of the PRC's renewable energy development plan have been further adjusted, and solar photovoltaic will be a key focus of development. The installed capacity of solar photovoltaic power generation is expected to increase significantly in the next five years. The Group has been actively seeking to develop and expand its solar energy business. Given that the application of distributed solar photovoltaic construction, including the construction of solar photovoltaic power stations at filling stations, has been expanding in recent years, its cost-effectiveness, safety and significant energy savings and emission reductions have

been well proven. In order to capitalize on the potential growth opportunities in the PRC market, the Group plans to make use of the filling station assets of the Target Company (to be acquired) to conduct pilot construction and promotion of distributed solar photovoltaic power stations, with a view to expanding the market share of the Group's solar energy products in the PRC market. Looking into the further future, with the continuous advancement of new energy project technologies and the growing maturity of the development model, the market generally believes that the integrated photovoltaic storage model will be the way forward for the development of solar photovoltaic industry. Therefore, the Group plans to gradually construct and renovate the solar photovoltaic power station and charging station at filling station to meet the future demand for new energy vehicle charging infrastructure in the PRC. The Group will leverage its experience in the field of solar photovoltaic and energy storage to actively explore and promote the co-development of the solar photovoltaic business and filling station in order to expand the market share of the Group's solar energy business.

Jewelry Business

The jewelry business will continue to be adversely affected by the COVID-19 epidemic. The uncertainty caused by the epidemic and the ongoing Sino-U.S. trade conflict have created a difficult environment, with local issues and international factors discouraging both Mainland Chinese and overseas visitors as well as dampening local consumer sentiment. The growth of the Group's jewelry business in Hong Kong is expected to stagnate in the near future.

Despite the unfavourable business environment and increasing competition in the market, the Group will continue to implement cost control measures, strive to improve customer service quality and explore new business opportunities through participation in jewelry fairs and exhibitions.

In addition, it has always been the Group's objective to provide attentive customer service across all sales networks. The Group will expand its sales networks and will continue to look for suitable partners to enrich its product portfolio while also maintaining its strong customer base in Hong Kong.

All in all, the Board will closely monitor and respond to the changing COVID-19 landscape and the market condition in a timely and forward-looking manner. We will carefully review our business operations in order to formulate business plans and strategies for future business development. Should any suitable investment or business opportunities arise, the Group will consider diversifying its business with a view to further broadening our income source.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Current Period was approximately HK\$14.3 million, representing a decrease of approximately 78.4% as compared to approximately HK\$66.3 million for the Previous Period. The decrease was mainly the result of the decrease in sales volume of both jewelry business and solar energy business.

Revenue of the solar energy business decreased by approximately 85.7% from approximately HK\$45.1 million for the Previous Period to approximately HK\$6.5 million for the Current Period. It was primarily attributable to the decline in sales orders of our solar intelligent technology products as the results of the continuous impact of COVID-19 outbreak on the overall global economy as well as the escalated Sino-U.S. trade conflict. The lockdown measures and related restrictions imposed by the government of some countries, such as the U.S. and India, also affected our product delivery schedule and hence, certain shipments were delayed to the last quarter of 2020 and our revenue during the Current Period was impacted.

Revenue of the jewelry business decreased by approximately 63.0% from approximately HK\$21.2 million for the Previous Period to approximately HK\$7.8 million for the Current Period. It was primarily attributable to the lower demand of our jewelry products results from the weak consumption sentiment of customers under the atmosphere of the COVID-19 outbreak and the prolonged Sino-U.S. trade tension. The revenue was also affected by the postponement of several international jewelry trade shows because of the outbreak of COVID-19 and which in turn reduced the opportunities in meeting with potential buyers during the Current Period.

Cost of Sales and Gross profit

Cost of sales of the Group for the Current Period was approximately HK\$13.7 million, representing a decrease of 78.2%, as compared to approximately HK\$63.1 million for the Previous Period. Gross profit decreased from approximately HK\$3.2 million for the Previous Period to approximately HK\$0.6 million for the Current Period, representing a decrease of approximately 82.7%. The decrease was mainly attributable to the decrease in the sales volume of both solar energy business and jewelry business for the Current Period.

Meanwhile, gross profit margin decreased from 4.9% for the Previous Period to 3.9% for the Current Period. The decrease was primarily attributable to the decrease in the customer's order of the provision of energy efficiency analysis and technical improvement advisory services on solar energy projects, which was in high gross profit margins, because our downstream customers has delayed or suspended their works at the solar photovoltaic project sites after the government of various countries has imposed the control orders since the outbreak of COVID-19.

Other income

Other income increased from approximately HK\$1.0 million for the Previous Period to approximately HK\$2.2 million for the Current Period, representing an increase of approximately 111.1%, which was mainly attributable to rental income from our investment properties and government subsidy granted in our operating region during the Current Period.

Other gains and losses, net

The Group recorded net other gains of approximately HK\$1.0 million for the Current Period (2019: net other losses of approximately HK\$0.2 million). The change was mainly attributable to the net foreign exchange losses of approximately HK\$0.1 million recorded for the Current Period (2019: HK\$0.3 million) and a gain from change in fair value of investment properties of approximately HK\$1.0 million was recorded for the Current Period (2019: HK\$0.1 million).

Selling and distribution costs

Selling and distribution costs decreased from approximately HK\$4.0 million for the Previous Period to approximately HK\$0.8 million for the Current Period, representing a decrease of approximately 80.5%, which was primarily attributable to the decrease in exhibition and marketing activities because of COVID-19 epidemic and the decrease in the staff costs of salespersons during the Current Period.

Administrative expenses

Administrative expenses decreased from approximately HK\$13.1 million for the Previous Period to approximately HK\$8.9 million for the Current Period, representing a decrease of approximately 32.3%, which was mainly attributable to our continuous implementation of tightened cost control and the decrease in staff costs in the Current Period.

Other expenses

Other expenses incurred during the Current Period amounted to approximately HK\$1.4 million (2019: HK\$1.9 million) mainly represented the expenditure on research and development of solar intelligent technology products in development stage.

Equity-settled share-based payments

Equity-settled share-based payments for the Previous Period amounted to approximately HK\$0.8 million represented the amortized cost of share-based payment expenses in connection with the grant of share options. The Group did not have any equity-settled share-based payments during the Current Period.

Finance costs

Finance costs represented the imputed interest derived from the long term loans from a controlling shareholder amounted to approximately HK\$1.6 million (2019: HK\$2.6 million), the interest derived from lease liabilities amounted to approximately HK\$0.1 million (2019: HK\$0.1 million) and the interest derived from the long term bank loan amounted to approximately HK\$0.9 million for the Current Period (2019: HK\$0.5 million).

Income tax expense

Income tax expense of the Group recorded for the Current Period amounting to approximately HK\$0.3 million (2019: income tax credit of approximately HK\$1.6 million) mainly attributable to the provision of deferred tax expense arising from the investment properties during the Current Period.

Loss for the period attributable to the Owners of the Company

By reason of the factors as stated above, the loss for the period attributable to the owners of the Company decreased from approximately HK\$14.7 million for the Previous Period to approximately HK\$8.8 million for the Current Period, representing a decrease of approximately 39.9%. Basic loss per share was 2.4 HK cents (2019: 4.4 HK cents).

DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil)

LIQUIDITY AND FINANCIAL POSITIONS

As at 30 September 2020, the Group had net current assets and current ratio stood at approximately HK\$43.9 million and 2.3 respectively (31 March 2020: HK\$44.1 million and 2.4 respectively).

As at 30 September 2020, the bank balances and cash amounted to approximately HK\$40.0 million (31 March 2020: HK\$37.3 million). As at 30 September 2020, the inventories amounted to approximately HK\$6.6 million (31 March 2020: HK\$6.8 million), representing the finished goods of solar thermal cooling-stored pipes and solar modules intelligent technology products. As at 30 September 2020, the net trade receivable and trade payable amounted to approximately HK\$9.0 million and HK\$11.0 million respectively (31 March 2020: HK\$15.5 million and HK\$14.8 million respectively), both of which were mainly derived from the solar energy business. As at 30 September 2020, the Group's property, plant and equipment, right-of-use assets and investment properties amounted to approximately HK\$13.9 million, HK\$10.2 million and HK\$76.0 million respectively (31 March 2020: HK\$43.1 million, HK\$11.4 million and HK\$22.2 million respectively), details of the movements during the Current Period are set out in note 11 to the condensed consolidated financial statements. The investment properties of the Group held under operating leases to earn rentals are measured using the fair value model for the both periods.

CAPITAL RESOURCES AND GEARING

As at 30 September 2020, the Group had an interest-bearing bank borrowing amounted to approximately HK\$25.8 million (31 March 2020: HK\$25.9 million) and bore an effective interest rates of 3.4% per annum (31 March 2020: 3.9%), of which HK\$2.3 million (31 March 2020: HK\$2.1 million) will be repayable within one year and HK\$23.5 million (31 March 2020: HK\$23.8 million) will be repayable after one year.

The bank borrowing was secured by the Group's assets, for details of the charges on Group's assets, please refer to the section headed "Charges on Group Assets" in this announcement. Save as disclosed above, the Group has no other banking facilities (31 March 2020: Nil). As at 30 September 2020, the Group had interest-free loans due to a controlling shareholder of approximately HK\$83.1 million (31 March 2020: HK\$72.1 million) which will be repayable after one year and had interest-free loans due to a shareholder amounted to approximately HK\$4.9 million (31 March 2020: HK\$4.8 million) which will be repayable within one year. The Group's gearing ratio as at 30 September 2020 was approximately 14.5% (31 March 2020: 17.1%), which was expressed as a percentage of total interest-bearing borrowings over total assets.

The Group principally meets its working capital requirement and other liquidity requirements through a combination of operating cash flows and interest-free loans due from a shareholder and a controlling shareholder during the Current Period.

CAPITAL STRUCTURE

The Group's total assets and total liabilities as at 30 September 2020 amounted to approximately HK\$177.9 million (31 March 2020: HK\$151.9 million) and approximately HK\$150.0 million (31 March 2020: HK\$130.2 million) respectively. The Group's debt ratio (which was expressed as a percentage of total liabilities over total assets) was approximately 84.3% as at 30 September 2020 (31 March 2020: 85.7%).

CHARGES ON GROUP ASSETS

As at 30 September 2020, the buildings with carrying amounts of approximately HK\$4.4 million (31 March 2020: HK\$32.9 million), the right-of-use assets with carrying amounts of approximately HK\$5.6 million (31 March 2020: HK\$8.5 million) and the investment properties with carrying amounts of approximately HK\$76.0 million (31 March 2020: HK\$22.2 million), were pledged to a bank in the PRC as collateral security for a bank borrowing amounted to approximately HK\$25.8 million.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any capital commitments (31 March 2020: Nil).

As at 30 September 2020, the Group did not have any significant contingent liabilities (31 March 2020: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2020, the Group had a total of approximately 44 employees (31 March 2020: 67). The Group's remuneration policies are formulated on the performance and work experience of individual employees and prevailing market rates, which will be reviewed regularly every year. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Group and individual employees.

The Group also provides internal training to employees when necessary and other staff benefits including share option scheme and corporate contribution to the statutory mandatory provident fund scheme for employees in Hong Kong and the statutory central pension schemes for employees in the PRC.

Furthermore, the remuneration committee of the Company will review and give recommendations to the Board as to the compensation package of the Directors and senior management of the Group with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management of the Group.

FOREIGN EXCHANGE FLUCTUATION AND HEDGES

The business operations of the Group's subsidiaries were conducted mainly in the PRC with sales and purchase of the Group's subsidiaries denominated mainly in Renminbi and United States dollars ("USD"). The Group's cash and bank deposits were denominated in Hong Kong dollars, Renminbi and USD. Any significant exchange rate fluctuation of Hong Kong dollars against Renminbi or USD may have a financial impact on the Group. While the Group would closely monitor the volatility of the Renminbi exchange rate, the Directors considered that the Group's current risk exposure to foreign exchange rate fluctuation remained minimal currently.

As at 30 September 2020 and 31 March 2020, no forward foreign currency contracts are designated in hedging accounting relationships.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures during the Current Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any plans for material investments and capital assets as at 30 September 2020.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed “Acquisition of 51% equity interest in Chengdu Kaibangyuan Trading Co., Ltd” in the “Management Discussion and Analysis”, after the Current Period and up to the date of this announcement, the Board was not aware of any significant events relating to the business or financial performance of the Group.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize effective internal control, accountability and transparency of the Board and are adopted in the best interest of the Company and its shareholders.

Accordingly, the Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company has applied the principles and complied with all the applicable code provisions set out in the CG Code throughout the six months ended 30 September 2020.

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”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2020.

CHANGE IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and based on the confirmation from the Directors, there is no change in the information of the Directors required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules for the six months ended 30 September 2020 and up to the date of this announcement.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 September 2020.

REVIEW BY AUDIT COMMITTEE AND INDEPENDENT EXTERNAL AUDITOR

The Company has established the audit committee of the Company (the "Audit Committee") with written terms of reference in compliance with the code provisions under the Code set out in Appendix 14 to the Listing Rules. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including the review of the unaudited interim results for the six months ended 30 September 2020. The Group's external auditor, Deloitte Touche Tohmatsu, has been appointed to review the interim financial information. On the basis of their review, they are not aware of any material modifications that should be made to the interim financial information for the six months ended 30 September 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed percentage of public float under the Listing Rules.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.475hk.com) and the interim report containing all the information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

Our Board would like to take this opportunity to express its gratitude to our shareholders, our business associates and all our employees for their continuous support.

By order of the Board
CENTRAL DEVELOPMENT HOLDINGS LIMITED
Chan Wing Yuen, Hubert
Chief Executive & Executive Director

Hong Kong, 30 November 2020

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. Wu Hao, Mr. Hu Yangjun and Mr. Chan Wing Yuen, Hubert; a non-executive Director, namely Mr. Li Wei Qi, Jacky; and three independent non-executive Directors, namely Mr. Wu Chi Keung, Mr. Jin Qingjun and Ms. Sun, Ivy Connie.

* *For identification purpose only*