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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2022 amounted to approximately HK\$565.5 million (for the six months ended 30 June 2021: approximately HK\$313.4 million).
- Profit attributable to the owners of the Company for the six months ended 30 June 2022 amounted to approximately HK\$7.8 million (loss attributable to owners of the Company for the six months ended 30 June 2021: approximately HK\$15.1 million).
- Basic and diluted earnings per share for the six months ended 30 June 2022 amounted to approximately HK cents 0.74 (basic and diluted loss per share for the six months ended 30 June 2021: approximately HK cents 1.43).
- The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Central Holding Group Co. Ltd. (the “**Company**”) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”) together with the comparative figures for the six months ended 30 June 2021 (the “**Previous Period**”).

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

For the six months ended 30 June 2022

		Six months ended	
		30/06/2022	30/06/2021
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	565,513	313,420
Direct costs		(551,701)	(296,530)
Gross profit		13,812	16,890
Other income and net gains/(losses)	3	18,699	2,323
Administrative and other operating expenses		(23,185)	(34,580)
Finance costs		(3,147)	(197)
Profit/(loss) before income tax	4	6,179	(15,564)
Income tax credit/(expense)	5	213	(1,590)
Profit/(loss) for the period		6,392	(17,154)
Other comprehensive (expenses)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences arising on translation of foreign operations		(7,088)	858
— Reclassification of cumulative translation reserve upon disposal of foreign operations		173	—
Other comprehensive (expenses)/income for the period, net of tax		(6,915)	858
Total comprehensive expense for the period attributable to owners of the Company		(523)	(16,296)

		Six months ended	
		30/06/2022	30/06/2021
		(unaudited)	(unaudited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period attributable to:			
	Owners of the Company	7,849	(15,072)
	Non-controlling interests	(1,457)	(2,082)
		<u>6,392</u>	<u>(17,154)</u>
Total comprehensive income/(expense) for the period attributable to:			
	Owners of the Company	458	(14,215)
	Non-controlling interests	(981)	(2,081)
		<u>(523)</u>	<u>(16,296)</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	0.74	(1.43)
		<u>0.74</u>	<u>(1.43)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	21,174	26,621
Right-of-use assets	3,855	6,066
Investment properties	244,881	257,439
Intangible assets	3,693	3,845
Deposit and prepayment for life insurance policy	3,253	3,214
	276,856	297,185
Current assets		
Financial assets at fair value through profit or loss	9,173	–
Properties available for sale	83,800	92,369
Contract assets	132,637	136,894
Trade and other receivables	350,682	194,799
Tax recoverable	561	561
Cash and bank balances	53,358	50,373
	630,211	474,996
Total assets	907,067	772,181
EQUITY		
Capital and reserves		
Share capital	2,640	2,640
Reserves	227,866	227,408
	230,506	230,048
Equity attributable to owners of the Company	230,506	230,048
Non-controlling interests	503	1,166
	231,009	231,214
Total equity	231,009	231,214

	At	At
	30 June	31 December
	2022	2021
	(unaudited)	(audited)
<i>Notes</i>	HK\$'000	HK\$'000
LIABILITIES		
Non-current liabilities		
Lease liabilities	2,558	5,079
Liabilities for long service payments	930	884
Amounts due to related companies	75,304	103,196
Borrowings	28,000	28,000
Deferred tax liabilities	10,243	11,050
	<u>117,035</u>	<u>148,209</u>
Current liabilities		
Contract liabilities	21,148	18,880
Trade and other payables	526,137	279,004
Lease liabilities	1,419	1,211
Borrowings	–	79,047
Tax payables	10,319	14,616
	<u>559,023</u>	<u>392,758</u>
Total liabilities	<u>676,058</u>	<u>540,967</u>
Total equity and liabilities	<u>907,067</u>	<u>772,181</u>
Net current assets	<u>71,188</u>	<u>82,238</u>
Total assets less current liabilities	<u>348,044</u>	<u>379,423</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 29 March 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares (the “**Share**”) have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 29 March 2018. As at 30 June 2022, its parent and ultimate holding company is Central Culture Resource Group Limited, a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability and wholly owned by Mr. Yu Zhuyun, the controlling shareholder of the Company.

The Company’s registered office address is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the Company’s principal place of business is Unit 2102–03 & 10–12, 21/F, K.Wah Centre, 191 Java Road, North Point, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the business of (i) building works and trading of construction materials; (ii) property development and investment; (iii) property management services; (iv) food and beverage (“**F&B**”) supply chain; (v) health and wellness; and (vi) smart logistics and information system.

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The condensed consolidated interim financial statements should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the significant accounting policies used in the preparation of condensed consolidated interim financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

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

Revenue, other income and net gains/(losses) recognised during the periods are as follows:

	Six months ended	
	30/06/2022 (unaudited) <i>HK\$'000</i>	30/06/2021 (unaudited) <i>HK\$'000</i> (Restated)
Revenue		
Building works and trading of construction materials	247,855	225,327
Property development	6,027	–
Property management services	23,405	18,990
Health and wellness	196,945	36,916
F&B supply chain	85,469	27,477
Smart logistics and information system	24	4,710
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Revenue from contracts with customers	559,725	313,420
Rental income	5,788	–
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	565,513	313,420
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Other income and net gains/(losses)		
Interest income	19	70
Net losses on disposal of property, plant and equipment	–	(20)
Gain on disposal of subsidiaries	7,685	–
Government grants	588	183
Operating lease income — machinery and equipment	575	1,890
Business consulting fee	9,173	–
Sundry income	659	200
	<hr/>	<hr/>
	18,699	2,323
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During the current period, the Group recognised government grants of approximately HK\$588,000 of which approximately HK\$464,000 in respect of Covid-19-related subsidies, related to Employment Support Scheme provided by the Hong Kong government, the remaining amounts of approximately HK\$124,000 represent the grants received from the PRC government, there were no unfulfilled conditions.

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

In the Previous Period, (i) foundation works and superstructure building works and (ii) trading of construction materials were reported to the CODM as stand-alone business units and constituted separate segments. Following a change in the Group's operating and reporting structure, starting from the year 2022, such business activities are combined into a single segment before being reported to the CODM. Accordingly, the CODM now reviews the Group's internal reporting based on six abovementioned segments. Following the changes of reporting segments, the comparative segment information has been reclassified.

Segment revenue and results

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

For the six months ended 30 June 2022

	Building works and trading of construction materials (unaudited) HK\$'000	Property development and investment (unaudited) HK\$'000	Property management services (unaudited) HK\$'000	Health and wellness (unaudited) HK\$'000	F&B supply chain (unaudited) HK\$'000	Smart logistic and information system (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE								
Revenue from external customers	247,855	11,815	23,405	196,945	85,469	24	-	565,513
Inter-segment sales	5,821	-	-	-	-	-	(5,821)	-
	<u>253,676</u>	<u>11,815</u>	<u>23,405</u>	<u>196,945</u>	<u>85,469</u>	<u>24</u>	<u>(5,821)</u>	<u>565,513</u>
RESULT								
Segment (loss)/profit	(6,374)	3,941	4,431	(2,318)	(1,224)	(792)	-	(2,336)
Other income and net gains								18,699
Unallocated corporate expenses								(7,037)
Finance costs								(3,147)
Profit before income tax								<u>6,179</u>

For the six months ended 30 June 2021 (Restated)

	Building works and trading of construction materials (unaudited) HK\$'000	Property development and investment (unaudited) HK\$'000	Property management services (unaudited) HK\$'000	Health and wellness (unaudited) HK\$'000	F&B supply chain (unaudited) HK\$'000	Smart logistic and information system (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE								
Revenue from external customers	225,327	-	18,990	36,916	27,477	4,710	-	313,420
Inter-segment sales	18,781	-	-	-	-	-	(18,781)	-
	<u>244,108</u>	<u>-</u>	<u>18,990</u>	<u>36,916</u>	<u>27,477</u>	<u>4,710</u>	<u>(18,781)</u>	<u>313,420</u>
RESULT								
Segment profit/(loss)	13,579	(646)	4,851	567	(1,328)	(133)	-	16,890
Other income and net gains								2,323
Unallocated corporate expenses								(34,580)
Finance costs								(197)
Loss before income tax								<u>(15,564)</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 the same as the Group's accounting policies. Segment results represent the (loss)/profit from each segment without allocation of other income and net gains/(losses), 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

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Segment assets		
Building works and trading of construction materials	377,935	334,064
Property development and investment	325,956	353,774
Property management services	2,433	13,803
Health and wellness	64,424	9,081
F&B supply chain	55,842	4,048
Smart logistic and information system	870	319
	<hr/>	<hr/>
Total segment assets	827,460	715,089
Unallocated corporate assets	79,607	57,092
	<hr/>	<hr/>
Consolidated total assets	<u>907,067</u>	<u>772,181</u>
Segment liabilities		
Building works and trading of construction materials	319,703	250,432
Property development and investment	198,314	217,823
Property management services	964	15,697
Health and wellness	64,397	14,432
F&B supply chain	55,041	6,025
Smart logistic and information system	2,298	1,506
	<hr/>	<hr/>
Total segment liabilities	640,717	505,915
Unallocated corporate liabilities	35,341	35,052
	<hr/>	<hr/>
Consolidated total liabilities	<u>676,058</u>	<u>540,967</u>

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

- all assets are allocated to operating segments other than deposits and prepayment for life insurance policy, financial assets at fair value through profit or loss, 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/(LOSS) BEFORE INCOME TAX

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

	Six months ended	
	30/06/2022 (unaudited) HK\$'000	30/06/2021 (unaudited) HK\$'000
Depreciation of property, plant and equipment	3,665	3,472
Depreciation of right-of-use assets	622	1,077
Provision for impairment losses on trade receivables	1,008	955
Provision for impairment losses on contract assets	141	44
Provision for impairment losses on other receivables and deposits	210	139
Rental expense from short-term leases	900	746
Staff costs (including directors' emoluments)	21,186	33,159

5. INCOME TAX (CREDIT)/EXPENSE

	Six months ended	
	30/06/2022 (unaudited) HK\$'000	30/06/2021 (unaudited) HK\$'000
Hong Kong Profits Tax		
— Current income tax	20	—
The PRC Enterprise Income Tax		
— Current tax	175	346
Deferred tax	(408)	1,244
Income tax (credit)/expense	(213)	1,590

6. EARNINGS/(LOSS) PER SHARE

	Six months ended	
	30/06/2022 (unaudited)	30/06/2021 (unaudited)
Profit/(loss) attributable to owners of the Company (HK\$'000)	7,849	(15,072)
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share (in thousand)	1,056,000	1,056,000
Basic earnings/(loss) per share (HK cents)	0.74	(1.43)

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

7. DIVIDEND

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

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Trade receivables	301,217	146,893
Less: Provision for impairment losses on trade receivables	<u>(3,927)</u>	<u>(2,919)</u>
	<u>297,290</u>	<u>143,974</u>
Other receivables, deposits and prepayments	54,065	51,298
Less: Provision for impairment losses on other receivables and deposits	<u>(673)</u>	<u>(473)</u>
	<u>53,392</u>	<u>50,825</u>
	<u><u>350,682</u></u>	<u><u>194,799</u></u>

Notes:

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

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
0–30 days	182,830	61,651
31–60 days	693	6,370
61–90 days	–	54,801
Over 90 days	<u>117,694</u>	<u>24,071</u>
	<u><u>301,217</u></u>	<u><u>146,893</u></u>

- (c) Included in the Group's other receivables and deposits are amounts due from related companies of approximately HK\$1,084,000 as at 30 June 2022 (31 December 2021: approximately HK\$944,000), which are repayable on credit terms similar to those offered to other customers of the Group.

9. TRADE AND OTHER PAYABLES

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Trade payables	382,330	239,056
Accruals and other payables	143,807	39,948
	<u>526,137</u>	<u>279,004</u>

Notes:

- (a) Payment terms granted by suppliers are generally 7 to 270 days from the invoice date of the relevant purchases.

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

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
0–30 days	347,475	192,721
31–60 days	9,689	14,226
61–90 days	3,275	1,503
Over 90 days	21,891	30,606
	<u>382,330</u>	<u>239,056</u>

- (b) Included in the Group's other payables are amounts due to related parties of approximately HK\$908,000 as at 30 June 2022 (31 December 2021: approximately HK\$954,000), which are non-interest bearing and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Directors are of the view that the construction business environment in Hong Kong remains tough and the Group faces various challenges including the low bidding price on tenders, increased costs and limited market potential in Hong Kong. The Group is 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.

The Group considers the prospects of the PRC market promising. The Group maintains a diverse range of related businesses in the PRC, such as building constructions, property development, property management services, trading of construction materials (including green building materials), F&B supply chain, provision of smart logistic and information system, and health and wellness. Satisfactory performances were recorded during the Period.

As at 30 June 2022, the Group has six main segments, which are (i) building works and trading of construction materials; (ii) property development and investment; (iii) property management services; (iv) F&B supply chain; (v) smart logistic and information system; and (vi) health and wellness. We seek to achieve synergistic value amongst the segments in order to obtain higher returns and greater business opportunities.

Building works and trading of construction materials

During the six months ended 30 June 2022, the revenue from the building works and trading of construction materials segment was approximately HK\$247.9 million (six months ended 30 June 2021: approximately HK\$225.3 million), which is accounted for approximately 43.8% (six months ended 30 June 2021: approximately 71.9%) of the Group's total revenue. Trading of construction materials includes green building materials. The increase was mainly due to a growth in sales volume of photovoltaic panel materials during the Reporting Period.

Property development and investment

Quzhou — Rural and wellness Project

During the six months ended 30 June 2022, the revenue from the property development and investment segment was approximately HK\$11.8 million (six months ended 30 June 2021: Nil), which accounted for approximately 2.1% (six months ended 30 June 2021: Nil) of the Group's total revenue. The increase was mainly due to property development income of HK\$6.0 million from the launched sales of condominium and rental income of HK\$5.8 million generated from hotel leasing during the Period.

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 have been completed in end of 2021, and the Group held a total GFA of approximately 18,599 sq.m. for hotel leasing to generate rental income during the Period.

Property management services

Property management services include security, cleaning, greening, gardening, repair and maintenance in the PRC. As at 30 June 2022, GFA under management provided by the Group was approximately 2.13 million sq.m. (30 June 2021: approximately 1.53 million sq.m.) and the revenue from the property management services segment was approximately HK\$23.4 million (six months ended 30 June 2021: approximately HK\$19.0 million), which accounted for approximately 4.2% (six months ended 30 June 2021: approximately 6.1%) of the Group's total revenue.

F&B supply chain

F&B supply chain includes supply chain services of agriculture products, frozen meat and other F&B materials. As at 30 June 2022, the revenue from the F&B supply chain segment was approximately HK\$85.5 million (six months ended 30 June 2021: approximately HK\$27.5 million), which accounted for approximately 15.1% (six months ended 30 June 2021: approximately 8.8%) of the Group's total revenue. The increase was mainly due to a growth in sales volume of F&B materials during the Period.

Smart logistic and information system

During the six months ended 30 June 2022, the revenue in the smart logistic and information system segment was approximately HK\$0.03 million (six months ended 30 June 2021: HK\$4.7 million). The decrease was mainly due to lesser information system generated as a result of lockdown in Shanghai and Quzhou offices due to Coronavirus disease pandemic (“COVID-19”).

Health and wellness

Health and wellness includes supplying of healthcare products, green food and beauty products. During the six months ended 30 June 2022, the revenue in health and wellness business was approximately HK\$196.9 million (six months ended 30 June 2021: approximately HK\$36.9 million), which is accounted for approximately 34.8% (six months ended 30 June 2021: approximately 11.8%) of the Group's total revenue. The increase was mainly due to a strong growth in sales volume of green food products during the Period.

FUTURE PLANS AND PROSPECTS

In the third quarter of 2022, the Group has began to seek for new green energy business opportunities in order to obtain higher returns for the shareholders of the Company. (For details, please refer to the Company's announcement dated 18 July 2022.) The Group is also committed to respond to the PRC 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.

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 and better public health.

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 is expected to reach RMB136 trillion, which will bring huge development opportunities for green energy investment. The Group believes that the strategic investment in green buildings and new green energy could expand the Group's business opportunity and broaden its income sources.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group achieved satisfactory overall operation performance. During the Period, the Group recorded approximately HK\$565.5 million in revenue, representing an increase of approximately 80.4% as compared with that in the corresponding period last year of approximately HK\$313.4 million. The improvement was primarily due to the combine effect of: (i) net increase in revenue from the building works and trading of construction materials segment which amounted to approximately HK\$22.5 million as a result of a growth in sales volume of photovoltaic panel materials; (ii) increased revenue from hotel leasing income in property development and investment segment; (iii) increased revenue from the health and wellness segment which amounted to approximately HK\$196.9 million (Previous Period: approximately HK\$36.9 million); and (iv) increased revenue from F&B supply chain segment accounted for approximately HK\$85.5 million (Previous Period: approximately 27.5 million).

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

	Six months ended	
	30/06/2022 (unaudited) <i>HK\$'000</i>	30/06/2021 (unaudited) <i>HK\$'000</i>
Revenue		
Building works and trading of construction materials	247,855	225,327
Property development	6,027	–
Property management services	23,405	18,990
Health and wellness	196,945	36,916
F&B supply chain	85,469	27,477
Smart logistic and information system	24	4,710
Rental income	5,788	–
	<u>565,513</u>	<u>313,420</u>

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 June 2022 amounted to approximately HK\$13.8 million, representing a decrease of approximately 18.3% as compared with approximately HK\$16.9 million for the six months ended 30 June 2021. The Group's gross profit margin also decreased from approximately 5.4% for the six months ended 30 June 2021 to approximately 2.4% for the six months ended 30 June 2022. The decrease was mainly due to the decrease in gross profit margin in building works in Hong Kong.

Other Income and Net Gains

Other income and net gains mainly comprise of rental income from machineries, business consulting services and interest income from bank deposit. During the six months ended 30 June 2022, other income and net gains amounted to approximately HK\$18.7 million (six months ended 30 June 2021: approximately HK\$2.3 million). The increase was mainly due to additional business consulting service fees of approximately HK\$9.2 million and a gain on disposal of subsidiaries of approximately HK\$7.7 million were generated during the Period.

Administrative and Other Operating Expenses

The administrative and other operating expenses of the Group for the six months ended 30 June 2022 amounted to approximately HK\$23.2 million, representing a decrease of approximately 32.9% as compared with approximately HK\$34.6 million for the six months ended 30 June 2021, mainly due to decrease in operating costs as a result of lockdown in Shanghai and Quzhou offices from April to June 2022 due to COVID-19.

Income Tax Credit

Income tax credit increased to approximately HK\$0.21 million for the six months ended 30 June 2022 as compared to the income tax expenses of approximately HK\$1.59 million. The increase in income tax credit is mainly due to the deferred tax income were recognised during the Period.

Profit for the Period

As a result of the aforesaid, the Group recorded a net profit for the six months ended 30 June 2022 of approximately HK\$6.4 million, as compared to a net loss of approximately HK\$17.2 million for the six months ended 30 June 2021. Such turn of net loss into net profit is mainly due to a decrease in administrative and other operating expenses as a result of Covid-19 lockdown in the PRC from April to June 2022 and additional hotel leasing income of HK\$5.7 million and business consulting service fees of HK\$9.2 million were recognised during the Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 June 2022, the Group had cash and bank balances of approximately HK\$53.4 million (31 December 2021: approximately HK\$50.4 million).

As at 30 June 2022, the share capital and equity attributable to owners of the Company amounted to approximately HK\$2.6 million and HK\$230.5 million, respectively (31 December 2021: approximately HK\$2.6 million and HK\$230.0 million, respectively).

The current ratio decreased from 1.21 times as at 31 December 2021 to 1.13 times as at 30 June 2022.

GEARING RATIO

Gearing ratio is calculated as total borrowings divided by total share capital and reserves at the period-end date and expressed as a percentage. The gearing ratio of the Group is approximately 13.8% as at 30 June 2022 (31 December 2021: approximately 49.0%).

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and the PRC during the Period. 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.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

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

EMPLOYEES AND REMUNERATION POLICY

The Group had 470 employees (including full-time and casual employees who are paid on a daily basis) as at 30 June 2022 (30 June 2021: 431). Total staff costs included directors' emoluments for the Period amounted to approximately HK\$21.2 million (Previous Period: approximately HK\$33.2 million), salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employment according to the assessment of individual performance and market situation.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 June 2022 (30 June 2021: nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2022 (30 June 2021: nil).

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 30 June 2022:

	Original use of the Net Proceeds <i>HK\$'000</i> <i>(approximately)</i>	Revised use of the Net Proceeds <i>HK\$'000</i> <i>(approximately)</i>	Actual use of the Net Proceeds as at 30 June 2022 <i>HK\$'000</i> <i>(approximately)</i>	Unutilised amount as at 30 June 2022 <i>HK\$'000</i> <i>(approximately)</i>	Expected timeline
Use of Net Proceeds:					
Hiring of additional staff	11,600	11,600	6,647	4,953	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	18,000	–	End of 2022
Total	<u>73,500</u>	<u>73,500</u>	<u>58,749</u>	<u>14,751</u>	

During the Period, the Group had utilised approximately HK\$0.3 million of the proceeds on hiring of additional staff and approximately HK\$11.6 million of the proceeds on general working capital. The Group continues to carefully apply the use of proceeds to match with the operational scale, complexity of new projects and the expansion of the business.

Due to the outbreak of COVID-19 since January 2020, the construction industry in Hong Kong had been adversely affected. The Group expects that the utilisation of the proceeds will span thru a longer timeline than original planned under the current business environment as there is still uncertainty in the extent and duration of the impact of the COVID-19 on the construction industry and the Hong Kong economy as a whole. The expected timeline for utilising the remaining proceeds will be subject to change based on the current and future development of market conditions.

The unutilised Net Proceeds have been placed in the short-term demand deposits with licensed banks in Hong Kong.

INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

EVENTS AFTER THE PERIOD

Apart from the disclosures in this announcement, there was no significant event after the Period and up to the date of this announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

During the Period, the Company had complied with all the applicable Code Provisions of the CG Code, except for Code Provision C.2.1 of the CG Code as explained below:

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company on 13 March 2018, the Company adopted a share option scheme (the “**Share Option Scheme**”) with effect from 13 March 2018. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group and to promote the business of the Group. As at the date of this 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 has been granted, exercised, cancelled or lapsed since its effective date and up to 30 June 2022.

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

No purchase, sale or redemption of the Company’s listed securities was made by the Company or any of its subsidiaries during the Period.

COMPETING INTERESTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

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

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

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

REVIEW OF INTERIM FINANCIAL RESULTS

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is available for viewing on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chghk.com). The interim report of the Company for the Period containing all information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 August 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.