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## **CHANHIGH HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2017)**

### **UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

<b>FINANCIAL HIGHLIGHTS</b>	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	<b>1,029,221</b>	837,241
<b>Gross profit</b>	<b>57,465</b>	58,759
<b>Profit for the period</b>	<b>13,244</b>	4,727
<b>Profit/(loss) for the period and total comprehensive income for the period attributable to:</b>		
Owners of the Company	<b>13,296</b>	4,770
Non-controlling interests	<b>(52)</b>	(43)

The board (the “**Board**”) of directors (the “**Directors**”) of Chanhigh Holdings Limited (the “**Company**”), hereby presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 together with the comparative unaudited figures for the six months ended 30 June 2022, as follows:

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

For the six months ended 30 June 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	Note	RMB'000	RMB'000
<b>Revenue</b>	4	<b>1,029,221</b>	837,241
Cost of sales		<b>(968,040)</b>	(775,229)
Sales related tax and auxiliary charges		<b>(3,716)</b>	(3,253)
		<u>57,465</u>	58,759
<b>Gross profit</b>		<b>57,465</b>	58,759
Other income, and gains and losses		<b>2,400</b>	1,753
Administrative and other operating expenses		<b>(30,676)</b>	(32,881)
Reversal of impairment loss/(impairment loss) on trade and other receivables and contract assets, net		<b>2,144</b>	(9,082)
		<u>31,333</u>	18,549
<b>Profit from operations</b>		<b>31,333</b>	18,549
Finance costs		<b>(11,949)</b>	(12,123)
Share of (losses)/profits of associates		<b>(400)</b>	32
		<u>18,984</u>	6,458
<b>Profit before tax</b>		<b>18,984</b>	6,458
Income tax expense	5	<b>(5,740)</b>	(1,731)
		<u>13,244</u>	4,727
<b>Profit and total comprehensive income for the period</b>	6	<b>13,244</b>	4,727
		<u>13,244</u>	4,727
<b>Profit/(loss) for the period and total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>13,296</b>	4,770
Non-controlling interests		<b>(52)</b>	(43)
		<u>13,244</u>	(4,727)
		<u>13,244</u>	(4,727)
<b>Earnings per share attributable to owners of the Company</b>			
Basic and diluted ( <i>RMB cents per share</i> )	7	<b>2.1</b>	0.8
		<u>2.1</u>	0.8

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2023*

		Unaudited As at 30 June 2023 <i>RMB'000</i>	Audited As at 31 December 2022 <i>RMB'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		14,082	14,630
Intangible assets		74,838	67,805
Investments in associates		24,781	25,181
<b>Total non-current assets</b>		<b>113,701</b>	107,616
<b>Current assets</b>			
Inventories		124	1,353
Trade, bills and other receivables	8	780,320	739,563
Contract assets		1,117,401	1,107,154
Deposits with initial terms of over three months		36,000	69,916
Cash at banks and on hand		275,223	262,990
<b>Total current assets</b>		<b>2,209,068</b>	2,180,976
<b>TOTAL ASSETS</b>		<b>2,322,769</b>	2,288,592
<b>EQUITY</b>			
Share capital	9	5,487	5,487
Reserves		948,034	934,738
Equity attributable to owners of the Company		953,521	940,225
Non-controlling interests		6,597	6,649
<b>Total equity</b>		<b>960,118</b>	946,874
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		105,002	106,002
<b>Total non-current liabilities</b>		<b>105,002</b>	106,002
<b>Current liabilities</b>			
Trade and bills payables	10	383,936	359,898
Accruals and other payables		79,501	85,110
Contract liabilities		82,949	100,731
Borrowings		581,700	560,000
Current tax liabilities		129,563	129,977
<b>Total current liabilities</b>		<b>1,257,649</b>	1,235,716
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,322,769</b>	2,288,592

## NOTES

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 17th and 18th Floors, Cang Hai Industry Building, No. 3388 Cang Hai Road, Yinzhou District, Ningbo City, Zhejiang Province, People's Republic of China (the "PRC").

The Company is an investment holding company. The principal activities of its subsidiaries are provision of services of municipal work and landscape construction and the related services.

In the opinion of the directors, as at 30 June 2023, the Peng Family, comprising Mr. Peng Daosheng, Ms. Wang Sufen, Mr. Peng Tianbin and Mr. Peng Yonghui, is the ultimate controlling party of the Company.

### 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2022 annual consolidated financial statements. Except as described below, the accounting policies (including the significant judgements made by management in applying the Group's accounting policies and key sources of estimate uncertainty) and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2022.

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. They do not have a material effect on the Group's condensed consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is mainly derived from contracts with customers.

(i) Information about reportable segment profit or loss:

	Landscape construction <i>RMB'000</i> (Unaudited)	Municipal works construction <i>RMB'000</i> (Unaudited)	Building works <i>RMB'000</i> (Unaudited)	Others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
<b>Six months ended 30 June 2023</b>					
External revenue	103,490	396,626	504,422	24,683	1,029,221
Segment results	<u>9,255</u>	<u>30,998</u>	<u>11,350</u>	<u>5,862</u>	<u>57,465</u>
<b>Six months ended 30 June 2022</b>					
External revenue	180,214	275,280	364,741	17,006	837,241
Segment results	<u>14,050</u>	<u>26,772</u>	<u>14,672</u>	<u>3,265</u>	<u>58,759</u>

All the revenue from construction contracts was recognised over time during the six months ended 30 June 2023 except for the revenue from agency services of RMB3,543,000 (six months ended 30 June 2022: RMB1,276,000) included in "Others" segment that was recognised at a point in time during the six months ended 30 June 2023 and 2022.

(ii) Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Total profits of reportable segments</b>	<b>57,465</b>	58,759
Unallocated amounts:		
Interest income	931	355
Government incentives and awards	2,180	1,237
Depreciation of property, plant and equipment	(563)	(1,391)
Depreciation of right-of-use assets	—	(508)
Amortisation of intangible assets	(681)	(681)
Finance costs	(11,949)	(12,123)
Operating lease payments	(157)	(227)
Net exchange gain/(loss)	60	(218)
Staff cost	(18,825)	(18,663)
Research and development expenditure	(198)	(1,202)
Bad debts written off	(1,914)	—
Bad debts recovery	543	—
Gain on partial disposal of a subsidiary subsequently as an associate	—	27
Reversal of impairment loss/(impairment loss) on trade and other receivables and contracts assets, net	2,144	(9,082)
Others	(10,052)	(9,825)
	<u>18,984</u>	<u>6,458</u>
Consolidated profit before tax	<u>18,984</u>	<u>6,458</u>

Segment assets and liabilities of the Group are not reported to the directors regularly. As a result, reportable segment assets and liabilities have not been presented in the condensed consolidated financial statements.

(iii) Geographical information

Based on the locations of the customers, all the revenues are earned in the PRC.

- (iv) The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Receivables, which are included in “Trade and other receivables”	<b>274,173</b>	297,416
Contract assets	<b>1,117,401</b>	1,107,154
Contract liabilities	<b>82,949</b>	100,731

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. Payment for maintenance services is not due from the customer until the maintenance services are complete and therefore a contract asset is recognised over the period in which the maintenance services are performed to represent the Group’s right to consideration for the services transferred to date.

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

The amount of RMB82,425,000 in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB12,670,000).

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax — PRC		
— Provision for the period	5,720	1,731
— Under-provision in prior year	20	—
	<u>5,740</u>	<u>1,731</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months ended 30 June 2023 and 2022.

The PRC Enterprise Income Tax (“**PRC EIT**”) of all the PRC subsidiaries have been provided at a rate of 25% for the six months ended 30 June 2023 and 2022. One of the subsidiaries of the Company incorporated in the PRC, Zhejiang Chanhigh Construction Limited\* (浙江滄海建設有限公司) (“**Chanhigh Construction**”) obtained the qualification of High and New Technology Enterprise and the corresponding applicable income tax rate for Chanhigh Construction was 15% for the six months ended 30 June 2023 (six months ended 30 June 2022: 15%).

For the six months ended 30 June 2023 and 2022, one of the subsidiaries of the Company, Zhejiang Zhanhai Industrial Company Limited\* (浙江展海實業有限公司) (“**Zhejiang Zhanhai**”), is qualified as a small and low-profit enterprise in the PRC. Zhejiang Zhanhai is assessed the PRC EIT on the following basis: if its annual taxable income does not exceed RMB1,000,000, the applicable enterprise income tax rate determined by the relevant authority is 5% (six months ended 30 June 2022: 2.5%); if its annual taxable income is more than RMB1,000,000 but less than RMB3,000,000, the applicable enterprise income tax rate determined by the relevant authority is 5% (six months ended 30 June 2022: 5%).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## 6. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging/(crediting) the following:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	320	340
Amortisation of intangible assets	681	681
Cost of inventories utilised	2,852	764
Cost of material consumed	505,829	397,372
Cost of services rendered	459,359	377,093
Depreciation of property, plant and equipment	603	1,391
Depreciation of right-of-use assets	—	508
Research and development expenditure	198	1,202
Net exchange (gain)/loss	(60)	218
(Reversal of impairment loss)/impairment loss on trade and other receivables and contract assets, net	(2,144)	9,082
Staff cost (including directors' emoluments)	22,255	18,663
Operating lease payments	132,395	108,552

Cost of services rendered includes staff costs, depreciation and operating lease payments of approximately RMB135,708,000 (six months ended 30 June 2022: RMB115,546,000) for the six months ended 30 June 2023 which are included in the amounts disclosed separately.

## 7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	13,296	4,770
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation ( <i>thousand shares</i> )	618,502	618,502

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same. As at 30 June 2023 and 2022, the Company had no dilutive potential ordinary shares.

## 8. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Trade and bills receivables	320,792	332,772
Allowance for bad and doubtful debts	<u>(75,139)</u>	<u>(79,930)</u>
	<u>245,653</u>	<u>252,842</u>
Deposits, prepayments and other receivables ( <i>note</i> )	537,532	489,586
Allowance for bad and doubtful debts	<u>(2,865)</u>	<u>(2,865)</u>
	<u>534,667</u>	<u>486,721</u>
	<u><u>780,320</u></u>	<u><u>739,563</u></u>

Trade and bills receivables represented the construction contracts and rendering of services receivables from the customers at each of the reporting dates. The Group's trading terms with its customers are mainly based on the contract terms. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by the directors.

The carrying amount of the Group's trade and bills receivables is denominated in RMB.

The aging analysis of trade and bills receivables, based on the contract terms for the works certified, net of allowance for bad and doubtful debts, is as follows:

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
0 to 90 days	100,842	100,407
91 to 180 days	14,730	9,450
181 to 365 days	18,430	47,632
Over 1 year but less than 2 years	64,955	51,116
Over 2 years but less than 3 years	9,792	11,127
Over 3 years	<u>36,904</u>	<u>33,110</u>
	<u><u>245,653</u></u>	<u><u>252,842</u></u>

*Note:* Deposits, prepayments and other receivables includes advance to suppliers who are independent third parties of approximately RMB360,402,000 as at 30 June 2023 (31 December 2022: RMB337,909,000) which represented unutilised balances prepaid for projects, such as material procurement and staff recruitment, according to the number, scale and progress of the respective projects to ensure smooth flow of projects with adequate resources timely in place. The balance is unsecured, interest-free, and would be regularly assessed by the Group's management based on its experience and knowledge on the projects for the gradual utilisation by the suppliers to maintain lower credit risk

## 9. SHARE CAPITAL

	Number of shares '000	Amount	
		HK\$'000	RMB'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.01 per share:			
At 1 January 2022 (audited),			
31 December 2022 (audited),			
1 January 2023 (audited) and			
30 June 2023 (unaudited)	2,000,000	20,000	17,733
	<u>2,000,000</u>	<u>20,000</u>	<u>17,733</u>
<b>Issued and fully paid:</b>			
Ordinary shares of HK\$0.01 per share:			
At 1 January 2022 (audited),			
31 December 2022 (audited),			
1 January 2023 (audited) and			
30 June 2023 (unaudited)	618,502	6,185	5,487
	<u>618,502</u>	<u>6,185</u>	<u>5,487</u>

## 10. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables, based on the date of receipt of goods and services, is as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
0 to 90 days	96,524	83,066
91 to 180 days	76,792	67,287
181 to 365 days	61,011	59,680
Over 1 year but less than 2 years	55,228	80,875
Over 2 years but less than 3 years	44,715	19,296
Over 3 years	49,666	49,694
	<u>383,936</u>	<u>359,898</u>

The carrying amount of the Group's trade and bills payables is denominated in RMB.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY AND BUSINESS REVIEW**

With the full resumption of normalized operation of the economy and the society, macro policies are actively implemented, leading to positive effects on the national economy, and promoting steady progress towards high-quality development. However, it is necessary to acknowledge that the global political and economic landscape is intricate and complex, and the foundation for sustained domestic economic recovery and development remains fragile. With the acceleration of domestic infrastructure investment and the continuous expansion of investment scale, enterprises are also presented with new opportunities for development. The specific circumstances are as follows:

#### **I. Stable growth driven by investment in the construction industry**

According to the data released by the National Bureau of Statistics, in the first half of 2023, the total output value of the construction industry in China amounted to RMB13.2 trillion, a year-on-year increase of 5.9%; and the national construction industry housing construction area amounted to 11.78 billion square meters, representing a year-on-year decrease of 1.7%. Investment in infrastructure posted a year-on-year increase of 7.2%. Under the circumstances that the real estate market continued to drop in terms of investment, a growth in investment in infrastructure has played an important supporting role in maintaining a rapid growth in the construction industry.

In particular, the investment in railway transportation sector increased by 20.5%, the investment in water resources management sector increased by 9.6%, the investment in information and communications sector increased by 6.2%, the investment in road transportation sector increased by 3.1%, and the investment in public facility management sector increased by 2.1%. Driven by the investment, the construction industry is embracing a steady recovery, with a year-on-year growth of 7.7% in the incremental value that gave a boost to growth of all fixed assets investment by 1.5%.

## **II. Business activity index of the construction industry continues to stay at high level within optimism range**

In the first half of 2023, the business activity index of the construction industry continues to stay at high level within the optimism range, with the highest level during March 2023, indicating promising prospects of the construction industry. The business activity index of the construction industry during February 2023 is expected to remained at high level within the optimism range for the following two months, indicating an expectation that the construction industry can continue to perform well as driven by accelerated construction based on stable investment, appropriate advancement of certain constructions and projects for major infrastructure and other factors. The business activity index of the construction industry during April 2023 continued to expand, and the housing construction and civil engineering construction business activity index was 63.9%, continued to remain at high level within the optimism range during the two months. This, together with a new order index of 56%, has well shown a continued expansion, which indicates the role of faster construction progress in line with appropriate advancement of certain constructions for major infrastructure in supporting social and economic recovery and development, to a certain extent. The business activity index of the construction industry during June 2023 has dropped, yet still remained higher than the critical point. Though the industry's business climate has contracted to some extent, the business activity expectations index remains at optimism range, indicating that companies in the construction industry have strong confidence in the market's recovery and development in the near future.

## **III. Digital transformation of the construction industry and construction of water conservancy infrastructure lead a new phase of high quality development**

The “14th Five-year Plan” and the Long-Range Objectives Through the Year 2035 clearly called for efforts to bring new synergies for digital economy and build a digital China by accelerating the development of modern service industries, coordinating and promoting the construction of infrastructure. The “14th Five-year Plan” construction industry development plan states that the 14th Five-Year Plan period renders huge potentials and room for development in terms of in-depth integration and development with advanced manufacturing and new-generation information technology. Digital transformation of the construction industry has empowered the high quality development of the construction industry.

The “14th Five-year Plan” and the Long-Range Objectives Through the Year 2035 called for efforts to strengthen the construction of water conservancy infrastructure, and strengthen management and protection of rivers and water systems across administrative regions and construct backbone projects based on a holistic view of river basins and the balanced allocation of water resources, optimize the allocation of water resources to prevent floods and droughts, and strengthen the construction of key water sources and urban emergency standby water source projects. Efforts should be made to implement flood control upgrading projects, accelerate the construction of flood control hub projects, the management of small- and medium-size rivers, the reinforcement of dangerous reservoirs, and comprehensively promote the construction of dikes and flood storage and detention areas. Efforts should be made to strengthen protection and restoration of water conservation areas, increase protection and comprehensive governance strength for key rivers and lakes, and restore the aquatic ecosystem to provide clear waters and green banks. The construction of water conservancy infrastructure is a matter of is “a thousand years’ work” and merit at the present and benefit in the future. The State’s strong efforts in development of major water projects led a new phase of high quality development of the water conservancy sector.

The Group has a number of First-Grade qualifications in municipal works, construction, water works and hydropower. This, together with our continuous expansion to the water works and hydropower as well as the new infrastructure construction markets, are highly matching with the State’s industrial development plan of “Two Major One New (兩重一新)”. In particular, our technology segment has actively put digital transformation into practice, explores an in-depth integration between the construction industry and new generation of information technology, and will have greater competitive advantages in project development.

In the first half of 2023, the revenue of the Group was approximately RMB1,029.2 million, representing an increase of 22.9% when compared with the same period of 2022, the sources of business revenue were from: 1) landscaping construction, 2) municipal works construction, 3) building works and 4) others, which represented 10.1%, 38.5%, 49.0% and 2.4% in the total revenue of the Group for the six months ended 30 June 2023.

During the first half of 2023, the Group has obtained the safe production standard tier 2 attainment for water conservancy construction. In the first half of 2023, the Group has won seven honors such as 2023 “Ningbo Construction Cup” for Quality Management Team (2023年度「寧波建設杯」優質管理小組), the “Camellia Cup” for Outstanding Landscape Project Award in Ningbo, 2023 Ningbo Outstanding Quality Management Team for Municipal Sector (2023年度浙江省市政行業優秀品質管理小組) and 2023 Tier 1 Award for Construction Project QC Team in Anhui Province (2023年度安徽省工程建設QC小組一等獎). The Group provides all-round training for its professional technician team, and one outstanding member was conferred the title of Craftsman of Yinzhou District (鄞州工匠).

## PROSPECTS

In 2023, the State-owned Assets Supervision and Administration Commission convened the corporate person-in-charge meeting in Beijing, and pointed out the focus on the construction of infrastructure, enhancement of technological innovation and the increase in investment of the construction of new infrastructures. With infrastructure investment staying at a high growth rate, it is expected that the newly added specific debts would amount to RMB3.8 trillion this year. Complemented with policy-based financial instruments, the implementation and formulation of physical workloads would be accelerated.

The “Outline of Strategic Planning on the Expansion of Domestic Demand (2022–2035) (《擴大內需戰略規劃綱要(2022–2035年)》)” states the acceleration of optimizing transportation infrastructures by fully leveraging national comprehensive and dimensional transportation network on the backbone of railway, the foundation of road and the comparative advantages of marine and aviation transportation. The construction of main skeleton comprising “6 axis, 7 corridors, 8 access” will be fostered to enhance transportation linkage among regions, city clusters and provinces. It is expected that directions such as the construction of inter-region linkage line and inter-city railway networks among key cities would be one of the driving forces for the coming year.

In the first half of 2023, there were 17,600 newly commenced water conservancy infrastructure projects, which hit the historical high in the same period. During the “14th Five-year Plan” period, it is planned to invest RMB5.2 trillion in water conservancy nationwide, representing a growth of 57% from the actual investment during the “13rd Five-year Plan” period. The completion progress in 2022 was 35.7%, and is set to be accelerated in the future. The National Development and Reform Commission stated that with large construction scale and high investment needs, the national water grind project will be included into the sector under major support for maintaining reasonable investment amount within the budget of the central government. Meanwhile, reform on the financing and investment structure and mechanism was further conducted, while various investment entities, especially private owned enterprises, were actively introduced to legal and compliant involvement, thereby accelerating the construction of water grind projects via market reform.

2023 is the first year upon full lifting of epidemic control measures, yet the negative impact of the epidemic on society and economy has not subsided. Since economic recovery still requires greater momentum, various sectors of society still encounter development pressures in a relatively significant extent. In response to the domestic social and economic situation, the Group will actively adjust its operation model, lower costs, increase cash flow, accelerate capital turnover, leverage supply chain management resilience, and actively seek new growth points to overcome the difficulties.

Looking forward, the Group will closely follow the era, while maintain the excellence of perseverance and hard work. Facing fluctuations and headwind in market economy, the Group always bravely stands at the forefront and overcomes difficulties. Amidst the new trend of accelerating technological advancement and emergence of knowledge-based economy, the Company upholds its corporate missions and exemplifies its corporate spirit while continuously creates artistic works. By adhering to integrity and being open-minded, we continue to build the dream constructions of Chanhigh and will create a new chapter in the future.

## FINANCIAL REVIEW

### Revenue

Revenue of the Group increased by 22.9% or RMB192.0 million from RMB837.2 million for the six months ended 30 June 2022 to RMB1,029.2 million for the six months ended 30 June 2023. This was attributable to the fact that as compared with the same period of last year, for the six months ended 30 June 2023, the revenue from municipal works construction segment and building works segment increased by 44.1% or RMB121.3 million and 38.3% or RMB139.7 million respectively even though the revenue from landscape construction segment decreased by 42.6% or RMB76.7 million.

The revenue recognised during the period for projects completed during the six months ended 30 June 2023 and in progress as at the end of the six months ended 30 June 2023 as compared with that of the previous corresponding period is tabulated as follows:

Business segments	Revenue <i>RMB'000</i> (Unaudited)	For the six months ended 30 June		2022		
		2023		2022		
		No. of projects completed during the period	No. of projects in progress as at the period end	No. of projects completed during the period	No. of projects in progress as at the period end	
Landscape construction	103,490	14	16	180,214	13	50
Municipal works construction	396,626	8	66	275,280	22	43
Building works	504,422	3	20	364,741	3	20
Others	24,683	14	12	17,006	7	19
<b>Total</b>	<b>1,029,221</b>	<b>39</b>	<b>114</b>	<b>837,241</b>	<b>45</b>	<b>132</b>

### **Landscape construction**

The Group recorded a decrease in revenue from the landscape construction segment, from RMB180.2 million for the six months ended 30 June 2022 to RMB103.5 million for the six months ended 30 June 2023, representing a decrease of 42.6% or RMB76.7 million. This was mainly due to decrease in number of landscape construction projects for the six months ended 30 June 2023 as compared with that of the previous corresponding period.

### **Municipal works construction**

The Group recorded an increase in revenue from the municipal works construction segment, from RMB275.3 million for the six months ended 30 June 2022 to RMB396.6 million for the six months ended 30 June 2023, representing an increase of 44.1% or RMB121.3 million. This was mainly due to increase in number of municipal works construction project in progress during the six months ended 30 June 2023 as compared with that of the previous corresponding period.

### **Building works**

The Group recorded an increase in revenue from the building works segment, from RMB364.7 million for the six months ended 30 June 2022 to RMB504.4 million for the six months ended 30 June 2023, representing an increase of 38.3% or RMB139.7 million. This was mainly due to increase in number of large-scale building works projects which entered into full-speed construction phase during the six months ended 30 June 2023 as compared with that of the previous corresponding period.

### **Others**

The Group recorded an increase in revenue from the others segment, from RMB17.0 million for the six months ended 30 June 2022 to RMB24.7 million for the six months ended 30 June 2023, representing an increase of 45.3% or RMB7.7 million. This was mainly due to the fact that two large-scale maintenance service projects commenced provision of service during the six months ended 30 June 2023.

### **Cost of sales**

Cost of sales increased by 24.9% or RMB192.8 million from RMB775.2 million for the six months ended 30 June 2022 to RMB968.0 million for the six months ended 30 June 2023. Generally, the fluctuation in cost of sales was in line with the fluctuation in revenue for the period.

## Gross profit and gross profit margin

The Group's gross profit decreased by 2.2% or RMB1.3 million from RMB58.8 million for the six months ended 30 June 2022 to RMB57.5 million for the six months ended 30 June 2023. Gross profit margin of the Group decreased from 7.0% for the six months ended 30 June 2022 to 5.6% for the six months ended 30 June 2023. The decrease in gross profit was mainly due to the increase in proportion of revenue contributed by building works segment of which the gross profit margin is relatively lower.

## Administrative and other operating expenses

The Group's administrative expenses decreased by 6.7% or RMB2.2 million from RMB32.9 million for the six months ended 30 June 2022 to RMB30.7 million for the six months ended 30 June 2023 as a result of cost control.

## Finance costs

The Group's finance costs slightly decreased by 1.7% or RMB0.2 million from RMB12.1 million for the six months ended 30 June 2022 to RMB11.9 million for the six months ended 30 June 2023.

## Income tax expense

The Group's income tax expense increased by 235.3% or RMB4.0 million from RMB1.7 million for the six months ended 30 June 2022 to RMB5.7 million for the six months ended 30 June 2023, which was mainly due to increase in taxable profit.

## LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Cash and cash equivalents ( <i>RMB'000</i> )	239,371	229,253
Current ratio	1.8	1.8
Gearing ratio	0.7	0.7

As at 30 June 2023, the Group's current ratio (based on the total current assets as at the respective period ends divided by the total current liabilities as at the respective period ends) was 1.8.

As at 30 June 2023, the Group's gearing ratio (based on the total debt as at the respective period ends divided by total equity as at the respective period ends) was 0.7.

## CAPITAL EXPENDITURES AND COMMITMENTS

### Capital expenditures

For the six months ended 30 June 2023, the Group incurred capital expenditures totalling RMB7.8 million in relation to property, plant and equipment and intangible assets.

### Capital commitments

As at 30 June 2023, the Group had no significant capital commitment.

## INDEBTEDNESS

### Borrowings

The following table sets forth the Group's total debts as at the dates indicated:

	<b>As at 30 June 2023 <i>RMB'000</i> (Unaudited)</b>	<b>As at 31 December 2022 <i>RMB'000</i> (Audited)</b>
Bank borrowings	<b><u>686,702</u></b>	<b><u>666,002</u></b>

The average interest rates for bank loans as at 30 June 2023 were 4.45% per annum.

Except as disclosed above, as at 30 June 2023, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

## USE OF NET PROCEEDS FROM THE LISTING

In line with the change in use of net proceeds as described in the Company's announcement dated 8 December 2017, the following table sets forth the Group's use of net proceeds up to the date of this announcement:

	<b>Adjusted allocation of use of proceeds (HK\$ million)</b>	<b>Utilised amount up to the date of this announcement (HK\$ million)</b>	<b>Remaining amount as at the date of this announcement (HK\$ million)</b>
Acquisition of construction companies possessing qualification and certificates in municipal projects, including but not limited to highway projects and water projects	195.8	120.2 <sup>(Note 1)</sup>	75.6
Acquisition of or strategic investment in design firm(s) in the Yangtze River Delta possessing qualification in architecture related design	91.4	7.5 <sup>(Note 2)</sup>	83.9
Acquisition or establishment of a new inspection centre accredited with the qualification(s) to carry out inspection, analysis and testing on the incoming materials to be used for construction, and/or inspection and supervision of construction works	7.9	—	7.9
General working capital	20.2	20.2	—
<b>Total</b>	<u>315.3</u>	<u>147.9</u>	<u>167.4</u>

### Notes:

- The Group acquired several construction licenses including a First-Grade General Contractor for Water Works and Hydropower Project qualification (水利水電工程施工總承包壹級資質), a Second-Grade General Contractor for Highway Construction Projects qualification (公路工程施工總承包貳級) along with a Second-Grade General Contractor for Water Supply and Drainage and Electrical Projects qualification (水利水電工程施工總承包貳級) and a First-Grade General Contractor for Housing Construction Projects qualification (建築工程施工總承包壹級) in the PRC at a consideration of RMB76,000,000, RMB13,600,000 and RMB13,500,000 respectively, totaling RMB103.1 million (HK\$120.2 million).
- The Group acquired an A-Grade Landscape Construction Design qualification license (風景園林工程設計專項甲級資質) with a total consideration of RMB6.7 million (HK\$7.5 million).

The remaining net proceeds of approximately HK\$167.4 million are currently held in bank deposits and it is intended to apply in the manner consistent with the proposed allocation in the Company's announcement dated 8 December 2017. These remaining net proceeds are expected to be utilised by the end of 2024.

## **INTERIM DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

## **CORPORATE GOVERNANCE HIGHLIGHTS**

The Company is committed to achieving and maintaining high standards of corporate governance. The Board believes that effective corporate governance and disclosure practices are not only crucial to the enhancement of the Company's accountability and transparency and investors' confidence, but also critical to the Group's long-term success. The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code on corporate governance.

The Company has complied with the code provisions set out in the CG Code for the six months ended 30 June 2023, except that chairman of the Board, Mr. Peng Tianbin, did not attend the annual general meeting on 15 June 2023 due to unexpected business engagements.

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 30 June 2023, the Group had 555 full-time employees. Total employee benefits expense incurred for the six months ended 30 June 2023 amounted to RMB22.3 million. The remuneration committee of the Company, comprising two independent non-executive Directors, namely Mr. Yang Zhongkai and Mr. Shi Weixing and one executive Director, namely Mr. Peng Tianbin was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices. The emolument policy of the Group would also make reference to the comparable market practices with reference to the qualifications of the employees.

The Company has not adopted any share option scheme.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

For the six months ended 30 June 2023, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries to all Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2023.

## **REVIEW OF INTERIM RESULTS**

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been reviewed by the Company's auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have also been reviewed by the audit committee of the Company comprising all the independent non-executive Directors, namely Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai. Neither the Company's auditor nor the audit committee of the Company has any disagreement with the accounting policies adopted by the Company.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as well as the website of the Company at [www.chanhigh.com.hk](http://www.chanhigh.com.hk). The Company's interim report for the six months ended 30 June 2023 will be despatched to shareholders of the Company and published on the aforementioned websites in due course.

## **APPRECIATION**

The Board would like to take this opportunity to express its gratitude to our customers and shareholders for their continuing support as well as our employees for their dedication and contribution.

By order of the Board  
**Chanhigh Holdings Limited**  
**Peng Tianbin**  
*Chairman and Executive Director*

Hong Kong, 28 August 2023

*As at the date of this announcement, the Board consists of Mr. Peng Tianbin, Mr. Peng Yonghui and Mr. Peng Daosheng as executive Directors; Ms. Wang Sufen as non-executive Director; and Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai as independent non-executive Directors.*

\* *For identification purpose only*