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CHANHIGH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2017)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,879,443	2,018,348
Gross profit	141,406	139,568
Profit and total comprehensive income for the year	30,183	33,099
Profit/(loss) for the year and total comprehensive income for the year attributable to:		
Owners of the Company	30,745	33,173
Non-controlling interests	(562)	(74)

The board (the “**Board**”) of directors (the “**Directors**”) of Chanhigh Holdings Limited (the “**Company**”), hereby presents the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**Year**”) together with the comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Note</i>	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
Revenue	4	1,879,443	2,018,348
Cost of services rendered		(1,731,367)	(1,870,993)
Sales related tax and auxiliary charges		(6,670)	(7,787)
Gross profit		141,406	139,568
Other income, and gains and losses		18,793	26,905
Administrative and other operating expenses		(61,780)	(59,815)
Impairment loss on trade and other receivables and contract assets, net		(26,925)	(32,493)
Profit from operations		71,494	74,165
Finance costs		(27,937)	(23,760)
Share of profits/(losses) of associates		236	(3,447)
Profit before tax		43,793	46,958
Income tax expense	5	(13,610)	(13,859)
Profit and total comprehensive income for the year	6	(30,183)	33,099
Profit/(loss) for the year and total comprehensive income for the year attributable to:			
Owners of the Company		30,745	33,173
Non-controlling interests		(562)	(74)
		30,183	33,099
Earnings per share			
Basic and diluted (RMB cents per share)	7	5.0	5.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		13,704	14,630
Intangible assets		73,720	67,805
Right-of-use assets		780	—
Investments in associates		29,917	25,181
Total non-current assets		118,121	107,616
Current assets			
Inventories		—	1,353
Trade and other receivables	8	616,393	739,563
Contract assets		1,175,371	1,107,154
Bank and cash balances		416,098	332,906
Total current assets		2,207,862	2,180,976
TOTAL ASSETS		2,325,983	2,288,592
EQUITY			
Equity attributable to owners of the Company			
Share capital	9	5,487	5,487
Reserves		965,483	934,738
		970,970	940,225
Non-controlling interests		6,087	6,649
Total equity		977,057	946,874
LIABILITIES			
Non-current liabilities			
Lease liabilities		540	—
Borrowings		102,002	106,002
Total non-current liabilities		102,542	106,002
Current liabilities			
Trade and bills payables	10	406,624	359,898
Accruals and other payables		64,014	85,110
Contract liabilities		66,733	100,731
Lease liabilities		301	—
Borrowings		573,700	560,000
Current tax liabilities		135,012	129,977
Total current liabilities		1,246,384	1,235,716
TOTAL EQUITY AND LIABILITIES		2,325,983	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, the People's Republic of China (the "PRC").

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

In the opinion of the Directors, as at 31 December 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

The consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). IFRSs comprise IFRS Accounting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

In the Year, the Group has applied the amendments to IFRSs issued by the IASB that are relevant to its operations and mandatorily effective for its accounting year beginning on 1 January 2023. The adoption of these amendments in the Year has no material impact on the Group's consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The accounting policies applied in these consolidated financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2022. A number of new or amended standards are effective from 1 January 2023 but they do not have a material effect on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue is mainly derived from contracts with customers.

(i) Information about operating segment profit or loss:

	Landscape construction <i>RMB'000</i>	Municipal works construction <i>RMB'000</i>	Building works <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
2023					
External revenue	187,077	691,265	942,411	58,690	1,879,443
Segment results	18,159	67,984	41,523	13,740	141,406
Additions to segment non-current assets	—	7,279	—	1,661	8,940
2022					
External revenue	406,734	797,275	775,128	39,211	2,018,348
Segment results	29,154	78,554	23,966	7,894	139,568
Additions to segment non-current assets	—	7,056	—	745	7,801

(ii) Reconciliation of operating segment profit or loss:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit and loss		
Total profits of reportable segments	141,406	139,568
Unallocated amounts:		
Interest income	15,117	27,397
Government subsidy, incentives and awards	2,509	1,639
Depreciation of property, plant and equipment	(1,147)	(2,169)
Depreciation of right-of-use assets	(142)	—
Amortisation of intangible assets	(1,364)	(1,972)
Finance costs	(27,937)	(23,760)
Operating lease payments	(1,188)	(1,192)
Net exchange gain	42	439
Staff costs	(32,483)	(34,643)
Research and development expenditure	(376)	(1,447)
Gain on partial disposal of a subsidiary subsequently as an associate	—	27
Loss on disposal of property, plant and equipment	(235)	(6,436)
Impairment loss on trade and other receivables and contract assets, net	(26,925)	(32,493)
Others	(23,484)	(18,000)
Consolidated profit before tax	<u>43,793</u>	<u>46,958</u>

(iii) **Geographical information**

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

5. INCOME TAX EXPENSE

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax — PRC		
Provision for the year	10,597	12,161
Under-provision in prior year	3,013	1,698
	<u>13,610</u>	<u>13,859</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the Year (2022: Nil).

PRC Enterprise Income Tax (“**PRC EIT**”) has been provided at a rate of 25% (2022: 25%).

For the Year, 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 is less than RMB1.0 million, the applicable enterprise income tax rate determined by the relevant authority is 5% (2022: 5%); if its annual taxable income is more than RMB1.0 million but less than RMB3.0 million, the applicable enterprise income tax rate is 10% (2022: 10%).

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 with a validation period of three years starting from 2023 (2022: three years starting from 2020). The applicable income tax rate for Chanhigh Construction is 15% (2022: 15%) for the Year.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC EIT rate is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>43,793</u>	<u>46,958</u>
Tax at the PRC EIT rate of 25% (2022: 25%)	10,948	11,739
Tax effect of different tax rates	(5,771)	(5,684)
Tax effect of income that is not taxable	(2,752)	(2,654)
Tax effect of expenses that are not deductible	8,172	8,760
Under-provision in prior year	<u>3,013</u>	<u>1,698</u>
Income tax expense	<u>13,610</u>	<u>13,859</u>

6. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Auditors' remuneration	1,220	1,265
Amortisation of intangible assets	1,364	1,972
Bad debts written off	2,003	—
Cost of services rendered	1,731,367	1,870,993
Cost of inventories consumed	2,762	5,861
Depreciation of property, plant and equipment	1,147	2,169
Depreciation of right-of-use assets	142	—
Loss on disposal of property, plant and equipment	235	6,436
Research and development expenditure	376	1,447
Net exchange gain	(42)	(439)
Impairment loss on trade and other receivables and contract assets, net	26,925	32,493
Operating lease payments	<u>233,109</u>	<u>338,064</u>

Cost of services rendered includes cost of inventories consumed, staff costs, depreciation of property, plant and equipment and operating lease payments of approximately RMB2,762,000 (2022: RMB5,861,000), RMB12,542,000 (2022: RMB9,677,000), RMB44,000 (2022: RMB282,000) and RMB231,921,000 (2022: RMB336,872,000), respectively, for the Year 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u><u>30,745</u></u>	<u><u>33,173</u></u>
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation (thousand shares)	<u><u>618,502</u></u>	<u><u>618,502</u></u>

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same. As at 31 December 2023, the Company had no dilutive potential ordinary shares (2022: Nil).

8. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade and bills receivables		
Trade receivables	301,138	325,686
Allowance for bad and doubtful debts	<u>(75,702)</u>	<u>(79,291)</u>
	<u>225,436</u>	<u>246,395</u>
Bills receivables	3,786	7,086
Allowance for bad and doubtful debts	<u>(2,624)</u>	<u>(639)</u>
	<u>1,162</u>	<u>6,447</u>
	<u>226,598</u>	<u>252,842</u>
Other receivables		
Construction contracts performance guarantees and deposit for tender	34,832	14,180
Retention receivables	40,851	44,574
Receivables for demolition expenses paid in advance	32,075	32,065
Amount due from an associate	28,403	32,903
Others	<u>52,830</u>	<u>27,955</u>
	<u>188,991</u>	<u>151,677</u>
Allowance for bad and doubtful debts	<u>(18,420)</u>	<u>(2,865)</u>
	<u>170,571</u>	<u>148,812</u>
Prepayments and deposits		
Advance to suppliers and other prepayments	219,128	337,909
Lease deposits	<u>96</u>	<u>—</u>
	<u>219,224</u>	<u>337,909</u>
	<u>616,393</u>	<u>739,563</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 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 follow:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	87,250	100,407
91 to 180 days	4,892	9,450
181 to 365 days	41,430	47,632
Over 1 year but less than 2 years	23,789	51,116
Over 2 years but less than 3 years	32,226	11,127
Over 3 years	37,011	33,110
	<u>226,598</u>	<u>252,842</u>

The following table provides information about the subsequent settlement as at 29 February 2024 on trade and bills receivables as at 31 December 2023:

	Gross carrying amount as at 31 December 2023	Subsequent settlement as at 29 February 2024
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days past due	89,140	65,294
91 to 180 days past due	5,170	5,170
181 to 365 days past due	42,840	17,740
Over 1 year but less than 2 years past due	43,208	9,272
Over 2 years but less than 3 years past due	58,743	15,661
Over 3 years past due	65,823	1,950
	<u>304,924</u>	<u>115,087</u>

9. SHARE CAPITAL

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

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 follow:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 to 90 days	96,355	83,066
91 to 180 days	39,593	67,287
181 to 365 days	83,214	59,680
Over 1 year but less than 2 years	77,132	80,875
Over 2 years but less than 3 years	55,606	19,296
Over 3 years	54,724	49,694
	<u>406,624</u>	<u>359,898</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

In 2023, with continuous downturn of the real estate industry, the environment for survival of construction enterprises, especially small and medium-sized construction enterprises, was worsened. Since the convening of the 20th National Congress of the Communist Party of China, the direction of relevant national policies changed, the prevention and control of the pandemic was entirely released, national development entered into a new stage, recovery of production and operation were accelerated, with faster implementation of various policies to promote economic recovery. Scope and scale of investments in infrastructure increased successively. The trends of new infrastructure and digital transformation of urbanization required the acceleration of digital transformation in the construction industry, and enterprises were facing new development opportunities, with details as follows:

I. Total output value and incremental value of the construction industry increased

According to the data released by the National Bureau of Statistics in 2023, the total output value of the construction industry in China amounted to RMB31.6 trillion, representing a year-on-year increase of 5.8%. The housing construction area of the national construction industry amounted to 15.1 billion square meters, representing a year-on-year decrease of 1.5%. The incremental value of the construction industry for the full year amounted to RMB8.6 trillion, representing a year-on-year increase of 7.1%. The growth rate of the construction industry is the highest in the last five years. Under the harsh macroeconomic background, the total output value of the construction industry still maintained a steadily growing trend, and the position of the construction industry in the national economy remained stable and solid.

According to statistics, the profits of the construction enterprises with qualification grades of general contracting and professional contracting were RMB832.6 billion, increased by 0.2% as compared with the previous year, of which the profit of state-owned holding enterprises amounted to RMB401.9 billion, increased by 4.3%. The number of standalone construction enterprises was 158,000, representing a year-on-year increase of 10.5%. The increase in construction enterprises resulted in intensified market competition, and the newly signed contracts of top eight state-owned construction enterprises amounted to RMB16.7 trillion in total in 2023, representing a year-on-year increase of 8.0% and accounting for approximately 46.8% of the overall market share of the construction market. The increase in concentration level indicates a significant trend of concentration of leading enterprises in the industry.

II. Business activity index of the construction industry grows steadily

According to the business activity index of the construction industry for the Year, the construction industry maintained steady growth and kept on expanding. The business activity index of the construction industry for December 2023 was 56.9%, which was 1.9 percentage points higher than that of the preceding month, staying at a relatively high positive range above 55.0% and increasing by 2.5% from the same period of last year. Staying at a relatively high positive range for nearly 80% of the time for the year showed that under various policy measures that promote significant project construction, construction enterprises maintained a relatively faster progress in construction work. The rebound of new order index, labor index and business activities forecast index indicates the recovery of the construction market upon full uplift of pandemic prevention and control measures.

III. Digital transformation of the construction industry

The construction industry development plan of the “14th Five-Year Plan” pointed out that there is huge potential and room for development in the deep integration of advanced manufacturing industry and new generation of information technology during the period of the “14th Five-Year Plan” At the same time, the aging problem in the construction industry has been increasing every year, resulting in problems such as difficulty in employment and higher costs in the construction industry. The digital transformation of the construction industry has stimulated new markets. Intelligent construction will optimize all aspects of building construction, simplify the construction process, and install on-site manufacturing at the factory. Intelligent robots will be adopted to improve the degree of construction automation, enhance work efficiency, improve the working environment of workers, and solve the problems of difficult employment and high costs in the construction industry.

IV. Vigorous promotion of village revitalization and enhanced construction of water conservancy infrastructure

The “14th Five-Year Plan” emphasizes prioritizing the development of agriculture and villages for the full promotion of village revitalization. According to the spirit of the 20th National Congress of the Communist Party of China and the 20th Second General Meeting of the Central Committee, the spirit of the Important Speech of General Secretary Xi Jinping on his Visit to Zhejiang as well as 2023 Government Work Report, the determination of the government on accelerating village revitalization and new village construction is highlighted. The “14th Five-Year Plan”, the long-term objectives through the year 2035 and the construction of “Two Major One New (兩重一新)” require the construction of water conservancy infrastructure to be strengthened. The construction of water conservancy works is a great plan for a thousand years by “performing works in the current era for the benefits over a thousand years”. The great national efforts to promote construction of water

conservancy infrastructure have stimulated the emergence of new markets. In 2023, national investment in water conservancy construction amounted to nearly RMB1.2 trillion, marking another new high in terms of investment amount and scale.

BUSINESS REVIEW

For the year, the annual revenue of the Group was approximately RMB1,879.4 million, representing a decrease of approximately 6.9% over last year. The revenue was mainly generated from: 1) landscape construction, 2) municipal works construction, 3) building works, and 4) others, and accounted for 10.0%, 36.8%, 50.1% and 3.1%, respectively.

In 2023, Chanhigh Construction was successfully conferred tier two honor of water conservancy safe production standardization of Zhejiang Province, “Leading Enterprise of the Happy Community (幸福共同體領頭雁企業)” of Zhejiang Province, Ningbo Top 100 Service Industry Enterprises (ranked 45th), Ningbo Top 100 Competitive Enterprises (rank 47th), Yinzhou District’s Advanced Enterprise with Achievements and Competitiveness and Yinzhou District’s “Dali Ding (大力鼎)” High-quality Development Award. 28 provincial, municipal and national honors were awarded for a number of high-quality engineering works, including standardized work site of Zhejiang Province, Provincial and Municipal (Quality Project) Gold Award, Outstanding Landscape Architecture Award Gold Award of Provincial Society of Landscape Architecture, provincial intelligent work site, Yongjiang Cup, Camellia Cup and other honors. Also, three QC results were conferred provincial awards and two QC results were conferred municipal awards. In terms of patented process, Chanhigh Construction has newly registered three invention patents and six utility model patents in the construction category. Focusing on the creation of a high-quality project and a standardized work site, close attention was paid to project quality management as well as scientific and technological innovations.

PROSPECTS

Year 2023 represents the beginning of fully carrying out the spirit of the 20th National Congress of the Communist Party of China, the 20th anniversary of the implementation of “Eight-eight Strategies” and also the transition year of three-year COVID-19 prevention and control measures. Nonetheless, the domestic economy has not shown a significant recovery trend, with low national consumption desire and a lack of confidence in social and economic development. International society conflicts edged up while international trade tension kept on increasing. For the industry, China maintains macro control over the construction industry, and industry competition is increasingly keen. Under such backdrop and with the precise leadership of the board of directors and operation management team, Chanhigh managed to advance amidst difficulties, united and strived to continuously broaden various channels, optimize structures and enhance efficiency, thereby achieving relatively good results in operation.

In 2024, the Central Government has made a budget to invest RMB700.0 billion in new investment growth points with focus on new infrastructure. Construction of infrastructure related to flood control, drainage and disaster relief will be facilitated, while key engineering projects of the “14th Five-year Plan” will be accelerated. At the same time, Ningbo region places emphasis on the construction of dual-cycle hub with full efforts, and plans to build a batch of public infrastructure for “both ordinary and emergency uses (平急兩用)”, with a goal to invest RMB150.0 billion in infrastructure. Public infrastructure construction will remain as the key investment and development direction of China in the future.

In the future, the Group will closely follow the national strategic planning and industrial policies, continue to build the dream constructions of Chanhigh and create a new chapter in the future.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by 6.9% or RMB138.9 million from RMB2,018.3 million for last year to RMB1,879.4 million for the Year. This mainly due to the fact that for the Year the decrease in revenue of landscape construction segment and municipal works construction segment offset the increase in revenue of building works segment and others segment, and led to overall decrease in the Group's total revenue.

The revenue recognised during the Year for projects completed during the Year and in progress as at 31 December 2023 as compared with that of last year is tabulated as follows:

Business segments	Revenue <i>RMB'000</i>	2023		Revenue <i>RMB'000</i>	2022	
		No. of projects completed during the year	No. of projects in progress as at the year end		No. of projects completed during the year	No. of projects in progress as at the year end
Landscape construction	187,077	19	23	406,734	43	77
Municipal works construction	691,265	40	78	797,275	37	46
Building works	942,411	12	25	775,128	12	20
Others	58,690	16	31	39,211	16	27
Total	1,879,443	87	157	2,018,348	108	170

As compared with that of last year, the revenue for the Year decreased by 6.9% while the number of projects for the Year decreased by 12.2%. The overall decrease in revenue was mainly due to (i) landscape construction segment of which the revenue and number of projects for the Year decreased by 54.0% or RMB219.6 million and 65.0% respectively; (ii) municipal works construction segment of which the revenue and number of projects decreased by 13.3% or RMB106.0 million and increased by 42.2% respectively as a result of decrease in average contract value; and (iii) building works segment of which the revenue and number of projects for the Year increased by 21.6% or RMB167.3 million and 15.6% respectively.

Landscape construction

The Group recorded a decrease in revenue from the landscape construction segment, from RMB406.7 million for last year to RMB187.1 million for the Year, representing a decrease of 54.0% or RMB219.6 million. As mentioned above, the decrease was mainly due to decrease in number of projects for the Year as compared with that of last year.

Municipal works construction

The Group recorded a decrease in revenue from the municipal works construction segment, from RMB797.3 million for last year to RMB691.3 million for the Year, representing a decrease of 13.3% or RMB106.0 million. As mentioned above, the decrease was mainly due to decrease in average contract value for the Year as compared with that of last year.

Building works

The Group recorded an increase in revenue from the building works segment, from RMB775.1 million for last year to RMB942.4 million for the Year, representing an increase of 21.6% or RMB167.3 million. As mentioned above, the increase was mainly due to increase in number of projects value for the Year as compared with that of last year.

Others

The Group recorded an increase in revenue from the others segment, from RMB39.2 million for last year to RMB58.7 million for the Year, representing an increase of 49.7% or RMB19.5 million. The increase was mainly due to increase in average contract value and number of projects for the Year as compared with that of last year.

Cost of services rendered

Cost of services rendered decreased by 7.5% or RMB139.6 million from RMB1,871.0 million for last year to RMB1,731.4 million for the Year. Generally, the decrease in cost of services rendered was in line with the decrease in revenue for the Year.

Gross profit and gross profit margin

The Group's gross profit increased by 1.3% or RMB1.8 million from RMB139.6 million for last year to RMB141.4 million for the Year. Gross profit margin of the Group increased from 6.9% for last year to 7.5% for the Year because the average profit margin of building works segment for the Year was slightly higher than that of last year.

Other income, and gains and losses

Other income, and gains and losses decreased by 30.1% or RMB8.1 million from RMB26.9 million for last year to RMB18.8 million for the Year. The decrease was mainly due to decrease in interest income arising from contract revenue.

Administrative and other operating expenses

The Group's administrative expenses slightly increased by 3.3% or RMB2.0 million from RMB59.8 million for last year to RMB61.8 million for the Year.

Finance costs

The Group's finance costs increased by 17.2% or RMB4.1 million from RMB23.8 million for last year to RMB27.9 million for the Year, which was mainly due to decrease in portion of interest capitalised.

Income tax expense

The Group's income tax expense slightly decreased by 2.2% or RMB0.3 million from RMB13.9 million for last year to RMB13.6 million for the Year.

LIQUIDITY AND CAPITAL RESOURCES

	2023	2022
Cash and cash equivalents (excluding deposits with initial term of over three months) (RMB'000)	252,572	229,253
Current ratio	1.8	1.8
Gearing ratio	0.7	0.7

As at 31 December 2023, the Group's current ratio (based on the total current assets as at the respective year ends divided by the total current liabilities as at the respective year ends) was 1.8.

As at 31 December 2023, the Group's gearing ratio (based on the total debts as at the respective year ends divided by total equity as at the respective year ends) was 0.7.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

For the Year, the Group incurred capital expenditures totalling RMB8.0 million in relation to property, plant and equipment and intangible assets.

Capital commitments

As at 31 December 2023, the Group had no significant capital commitments.

INDEBTEDNESS

Borrowings

The following table sets forth the Group's total debts as at year end:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings	<u>675,702</u>	<u>666,002</u>

The average interest rate for bank loans as at 31 December 2023 was 4.38% per annum.

Except as disclosed above, as at 31 December 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:

	Adjusted allocation of use of proceeds (HK\$ million)	Utilised amount up to the date of this announcement (HK\$ million)	Remaining amount as at the date of this announcement (HK\$ million)
Acquisition of construction companies possessing first-grade qualification and certificates in municipal projects, including but not limited to highway projects and water projects	195.8	120.2 ^(Note 1)	75.6
Acquisition of or strategic investment in architectural design firm(s) in the Yangtze River Delta possessing first-grade qualification in architectural design	91.4	7.5 ^(Note 2)	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	—
Total	315.3	147.9	167.4

Notes:

1. The Group acquired several construction licenses including a First-Grade General Contractor for Water Works and Hydropower Projects Qualification, a Second-Grade General Contractor for Highway Construction Projects Qualification along with a Second-Grade General Contractor for Water Works and Hydropower Projects Qualification and a First-Grade General Contractor for Housing Construction Projects Qualification 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).
2. The Group acquired an A-Grade Landscape Construction Design Qualification with a 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.

FINAL DIVIDENDS

The Board does not recommend the payment of any dividend for the Year.

NO MATERIAL CHANGE

During the Year, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2022.

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 Year, except that the Director, Mr. Peng Tianbin (chairman of the Board and chairman of the Strategy Committee), did not attend the annual general meeting on 15 June 2023 due to unexpected business engagements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the Year, 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 the 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 Year.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is tentatively scheduled to be held on Thursday, 13 June 2024. Notice of the annual general meeting will be published and issued to shareholders in due course.

BOOK CLOSURE

The transfer books and register of members of the Company will be closed from Thursday, 6 June 2024 to Thursday, 13 June 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30p.m. on Wednesday, 5 June 2024.

AUDIT COMMITTEE

In compliance with the Listing Rules, the Company has an audit committee comprising three independent non-executive Directors, namely Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai (the "Audit Committee"). The Audit Committee has reviewed the accounting policies adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the consolidated results of the Group for the Year.

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited consolidated financial statements for the Year, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, RSM Hong Kong.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.chanhigh.com.hk. The Company's annual report for the Year 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 the customers and shareholders for their continuing support as well as the employees for their dedication and contribution.

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

Hong Kong, 26 March 2024

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.