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Chanhigh Holdings Limited

滄海控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2017)

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2017	2016
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	821,643	696,893
Gross profit	111,959	87,982
Profit for the period attributable to owners of the Company	53,964	43,468
Total comprehensive income for the period attributable to owners of the Company	53,745	43,468

The board (the “**Board**”) of directors (the “**Directors**”) of Chanhhigh Holdings Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), hereby presents the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2017 together with the comparative unaudited figures for the six months ended 30 June 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
	Note	2017	2016
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	821,643	696,893
Cost of services rendered		(707,987)	(589,321)
Business tax and auxiliary charges		(1,697)	(19,590)
Gross profit		111,959	87,982
Other income and gains	5	453	6,014
Administrative and other operating expenses		(34,300)	(23,589)
Profit from operations		78,112	70,407
Finance costs	6	(1,622)	(7,829)
Profit before tax		76,490	62,578
Income tax expense	7	(22,526)	(19,110)
Profit for the period attributable to owners of the Company	8	53,964	43,468
Other comprehensive income for the period, net of tax			
<i>Item that will be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(219)	—
Total comprehensive income for the period attributable to owners of the Company		53,745	43,468
Earnings per share	10		
Basic and diluted (RMB cents per share)		RMB10.1 cents	RMB9.7 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
	Note		
Non-current assets			
Property, plant and equipment	11	2,984	2,448
Available-for-sale financial assets		64	64
Total non-current assets		3,048	2,512
Current assets			
Trade and other receivables	12	821,164	720,599
Gross amount due from customers for contract work	13	797,281	694,020
Deposits with initial term of over three months		2,418	3,243
Bank and cash balances		343,325	108,065
Total current assets		1,964,188	1,525,927
TOTAL ASSETS		1,967,236	1,528,439
Equity			
Equity attributable to owners of the Company			
Share capital	14	5,487	—
Reserves		771,698	260,587
Total equity		777,185	260,587
Current liabilities			
Trade payables	15	916,593	895,397
Accruals and other payables		84,820	56,809
Receipt in advance		25,548	18,034
Gross amount due to customers for contract work	13	16,910	8,994
Amount due to a director		—	160,337
Borrowings		61,000	61,000
Current tax liabilities		85,180	67,281
Total current liabilities		1,190,051	1,267,852
TOTAL EQUITY AND LIABILITIES		1,967,236	1,528,439

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(60,997)	(25,647)
Income taxes paid	(4,627)	(7,171)
Interest paid	(1,622)	(7,829)
Net cash used in operating activities	(67,246)	(40,647)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(812)	(166)
Repayment from related companies	—	330,229
Decrease/(increase) in deposits with initial terms over three months	825	(150)
Dividend income from unlisted equity investment	9	9
Interest received	176	5,637
Net cash generated from investing activities	198	335,559
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings raised	61,000	191,000
Repayment of borrowings	(61,000)	(436,100)
Proceeds from issue of shares	303,483	—
(Repayment to)/advance from a director	(967)	159,932
Repayment to a staff	—	(14,000)
Dividends paid	—	(14,782)
Repurchase of equity interests of a PRC subsidiary from the controlling shareholders	—	(159,370)
Net cash generated from/(used in) financing activities	302,516	(273,320)
NET INCREASE IN CASH AND CASH EQUIVALENTS	235,468	21,592
Effect of foreign exchange rate changes	(208)	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	108,065	61,482
CASH AND CASH EQUIVALENTS AT END OF PERIOD	343,325	83,074
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	343,325	83,074

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.

The Company's shares (the "Shares") were listed on the Main Board of The Stock Exchange Hong Kong Limited (the "Stock Exchange") on 31 March 2017 (the "Listing").

In the opinion of the Directors, as at 30 June 2017, the Peng Family, comprising Mr. Peng Daosheng, Ms. Wang Sufen, Mr. Peng Tianbin and Mr. Peng Yong Hui, is the ultimate controlling parties (the "Controlling Shareholders") 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 (the "Listing Rules").

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2016.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, 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 2017. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not have any significant effect on the condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the revenue from construction contracts for the period.

(i) Information about reportable segment profit or loss:

	Landscape construction RMB'000 (unaudited)	Municipal works construction RMB'000 (unaudited)	Building works RMB'000 (unaudited)	Others RMB'000 (unaudited)	Total RMB'000 (unaudited)
Six months period ended					
30 June 2017					
External revenue	254,120	363,789	150,748	52,986	821,643
Segment results	<u>38,004</u>	<u>47,093</u>	<u>20,952</u>	<u>5,910</u>	<u>111,959</u>
Six months period ended					
30 June 2016					
External revenue	306,280	322,447	56,696	11,470	696,893
Segment results	<u>42,905</u>	<u>41,410</u>	<u>1,961</u>	<u>1,706</u>	<u>87,982</u>

(ii) Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit and loss		
Total profits of reportable segments	111,959	87,982
Unallocated amounts:		
Interest income	176	5,637
Government incentives and awards	255	207
Allowance for trade receivables	(5,035)	—
Depreciation	(265)	(234)
Finance costs	(1,622)	(7,829)
Employee benefits expense	(10,660)	(4,074)
Listing expenses	(6,179)	(13,406)
Others	<u>(12,139)</u>	<u>(5,705)</u>
Consolidated profit before tax	<u>76,490</u>	<u>62,578</u>

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

(iii) Geographical information

Based on the locations of the customers, all the revenues are earned in the PRC and all non-current assets of the Group are located in the PRC and Hong Kong.

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income on:		
Amounts due from related parties	—	5,513
Bank deposits	176	83
Others	—	41
Total interest income for financial assets that are not at fair value through profit or loss	176	5,637
Bad debt recovery	—	116
Compensation income	13	45
Dividend income from unlisted equity investments	9	9
Government incentives and awards (note)	255	207
	453	6,014

Note: Government incentives and awards mainly related to the incentive and awards received from the local government authority for the achievement of the Group.

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank borrowings	1,622	7,829

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax - PRC		
Provision for the period	22,526	19,110

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the period.

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.

For the six months period ended 30 June 2017, one of the subsidiaries of the Company incorporated in the PRC, 宣城市滄海園林工程有限公司(Xuancheng Chanhhigh Municipal Landscape Engineering Limited) (“**Xuancheng Landscape**”), is assessed and paid the PRC Enterprise Income Tax (“**EIT**”) on a deemed profit basis which is calculated by first multiplying an applicable percentage determined by the relevant tax authority of 4% (six months period ended 30 June 2016: 4%) and then applying a preferential enterprise income tax rate of 20% on 50% reduced assessable profit as Xuancheng Landscape is qualified as a small and low-profit enterprise.

The EIT of other subsidiaries established in the PRC has been provided at a rate of 25% for the six months period ended 30 June 2017 and 2016.

8. PROFIT FOR THE PERIOD

The Group’s profit for the period is arrived at after charging the following:

	Six months ended 30 June	
	2017	2016
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Auditors’ remuneration		
– for non-audit services	320	—
– for listing purposes	—	2,260
Allowance for trade receivables	5,035	—
Cost of services rendered	707,987	589,321
Exchange difference	759	—
Depreciation	265	234
Employee benefits expense (including directors emoluments)	13,112	11,085
Listing expenses	6,179	11,146
Operating lease charges - land and buildings	720	605

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017.

During six months ended 30 June 2016, the Company's subsidiary made the following distributions to its then shareholders:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends declared and paid/payable to its then shareholders by: Zhejiang Chanhgih Municipal Landscape Construction Limited	<u>—</u>	<u>14,782</u>

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful for the six months ended 30 June 2016.

10. EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have been issued and allocated on 1 January 2016 as if the Company had been established by then.

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>53,964</u>	<u>43,468</u>
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation (thousand shares)	<u>532,989</u>	<u>449,998</u>

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for both periods has been adjusted for the effect of the capitalisation issue as more fully explained in note 14.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of approximately RMB812,000 (six months ended 30 June 2016: RMB166,000).

12. TRADE, BILLS AND OTHER RECEIVABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade and bill receivables	627,024	513,840
Less: Allowance for trade receivables	(5,035)	—
	621,989	513,840
Deposit, prepayment and other receivables	199,175	206,759
	821,164	720,599

Included in the trade receivables were amount due from 滄海控股集團有限公司(Chanhigh Holding Group Limited) and 湖州滄海建設投資有限公司 (Huzhou Canghu Construction Investment Company Limited) (“**Huzhou Canghu**”), related companies of the Group, of approximately RMB20,000 (31 December 2016: RMB20,000) and RMB75,000,000 (31 December 2016: RMB259,000) respectively as at 30 June 2017.

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 on credit. 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 and net of allowance, is as follow:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
0 to 90 days	334,615	180,870
91 to 180 days	29,501	76,059
181 to 365 days	114,233	86,373
Over 1 year but less than 2 years	40,003	89,521
Over 2 years but less than 3 years	58,744	63,718
Over 3 years	44,893	17,299
	621,989	513,840

13. GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Contract costs incurred plus recognised profits less recognised losses to date	4,811,027	4,236,842
Less: Progress billings	(4,030,656)	(3,551,816)
	<u>780,371</u>	<u>685,026</u>
Gross amount due from customers for contract work	797,281	694,020
Gross amount due to customers for contract work	(16,910)	(8,994)
	<u>780,371</u>	<u>685,026</u>

In respect of construction contracts in progress at 30 June 2017, retentions receivables included in other receivables are RMB67,283,000 (31 December 2016: RMB78,239,000), in which RMB31,168,000 (31 December 2016: RMB35,274,000) is expected to be recovered after more than twelve months.

Advances received in respect of construction contracts at 30 June 2017 amounted to RMB25,548,000 (31 December 2016: RMB18,034,000).

14. SHARE CAPITAL

	Note	Number of shares '000	Amount HK\$'000	RMB'000
Authorised:				
Ordinary shares of HK\$0.01 per share at 1 April 2016 (date of incorporation) and 31 December 2016	(a)	38,000	380	317
Increase of authorised share capital	(c)	1,962,000	19,620	17,416
At 30 June 2017		<u>2,000,000</u>	<u>20,000</u>	<u>17,733</u>
Issued and fully paid:				
Upon incorporation on 1 April 2016	(a)	—	—	—
Issue of 1,998 shares at nil paid	(b)	2	—	—
At 31 December 2016 and 1 January 2017		2	—	—
Issue of shares for capitalisation of amount due to a director	(c)	2	—	—
Share capitalisation	(e)	449,996	4,500	3,994
Global offering of shares	(d)	150,000	1,500	1,329
Issue of Over-allotment Shares	(f)	18,502	185	164
At 30 June 2017 (unaudited)		<u>618,502</u>	<u>6,185</u>	<u>5,487</u>

Note:

- (a) The Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 1 April 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same day, the initial subscribing shareholder transferred the one issued share to Vast Base Investments Limited (“**Vast Base**”) at par and allotted and issued one issued share to TEUR Holdings Limited (“**TEUR**”) at par.
- (b) On 11 April 2016 each of Vast Base and TEUR transferred one ordinary share of Chanhigh Investments Limited to the Company in consideration of the Company allotted and issued 999 ordinary shares of HK\$0.01 each of the Company to Vast Base and TEUR.
- (c) On 15 March 2017, pursuant to a resolution passed by the directors to capitalise the amount due to a director amounted to approximately RMB159,370,000 by allotting and issuing 1,000 ordinary shares to Vast Base and 1,000 ordinary shares to TEUR credited as fully paid.

On the same date, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of additional 1,962,000,000 shares of HK\$0.01 each.

- (d) Pursuant to written resolutions passed on 15 March 2017, the shareholders of the Company approved the allotment and issue of 150,000,000 new ordinary shares of HK\$0.01 each of the Company (the “**New Shares**”) in connection with the global offering of shares by the Company (the “**Global Offering**”). 150,000,000 New Shares, issued on 30 March 2017, at HK\$2.17 each. The premium on the issue of 150,000,000 New Shares, net of listing related expenses, amounting to approximately RMB267,665,000 was credited to the Company’s share premium account. These 150,000,000 New Shares were fully paid-up, rank pari passu in all respects with the existing issued and fully paid-up shares of the Company.
- (e) Pursuant to written resolutions passed on 15 March 2017, the shareholders of the Company approved as a result of the issuance of the New Shares pursuant to the Global Offering as mentioned in note (d) above, an amount of HK\$4,499,960 standing to the credit of the share premium account of the Company was capitalised by applying such sum forwards paying up in full at par for allotment and issue to each of Vast Base and TEUR 224,998,000 ordinary shares respectively before the completion of the Global Offering.
- (f) On 21 April 2017, the over-allotment option described in the prospectus published by the Company on 21 March 2017 was exercised and, 18,502,000 additional New Shares (the “**Over-allotment Shares**”), were issued and allotted by the Company on 26 April 2017 at HK\$2.17 per share. The premium on the issue of shares, net of issue costs, amounting to approximately RMB34,325,000 was credited to the Company’s share premium account.

15. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follow:

	As at 30 June 2017 RMB’000 (Unaudited)	As at 31 December 2016 RMB’000 (Audited)
0 to 90 days	187,909	189,706
91 to 180 days	78,658	92,796
181 to 365 days	197,649	233,401
Over 1 year but less than 2 years	274,695	289,616
Over 2 years but less than 3 years	139,962	55,917
Over 3 years	37,720	33,961
	916,593	895,397

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

For first half of 2017, driven by various government initiatives such as “Sponge City” and “Beautiful China” strategies, together with the continuous investments of the government in urban infrastructure to develop a sustainable environment in China, the Group’s business continued to grow.

The Group is one of the prominent landscape and municipal works construction service providers in Zhejiang Province, with footprint covering 12 provinces, three municipalities and two autonomous regions in China. The Group principally provides landscape and municipal works construction and maintenance services to our customers. In addition, the Group undertakes building works and renovation works, and provide other services such as provision of maintenance and heritage building restoration services.

Leveraging on the Group’s strong integrated competitive strength, its sound track record of providing high quality landscaping and municipal works, together with its continued efforts in developing its principal businesses, for the six months ended 30 June 2017, the Group recorded a consolidated net profit of RMB54.0 million. Netting off the listing expenses of RMB6.2 million (charged to the Group’s consolidated statement of profit or loss), profit for the six months ended 30 June 2017 recorded an increase of 24.1% from RMB43.5 million for the six months ended 30 June 2016 to RMB54.0 million.

PROSPECTS

Looking ahead, as a result of the continuous economic growth and improvement in people’s living standard in the PRC, it is expected that significant investments in the construction of landscaping facilities and municipal facilities will continuously be made by PRC central and local governments and state-invested enterprises. Furthermore, in light of the increasing popularity and wider adoption of Public-Private-Partnership (“PPP”) (a business model in which public infrastructure projects are financed, built and operated by way of partnership between the public sector and the private sector) in large-scale governmental landscaping and municipal construction projects, the Group is continuously seeking appropriate partners to explore and capture business opportunities that may arise from such business model. The Directors believe that, the Group’s strategic involvement in PPP projects in future will effectively enlarge its customer base and enhance its profitability.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 17.9% or RMB124.7 million from RMB696.9 million for the six months ended 30 June 2016 to RMB821.6 million for the six months ended 30 June 2017, which was primarily due to the increase from municipal works construction and building works segments during the period.

Landscape construction

The Group recorded a decrease in revenue from the landscape construction segment, from RMB306.3 million for the six months ended 30 June 2016 to RMB254.1 million for the six months ended 30 June 2017, representing a decrease of RMB52.2 million or 17.0%, partially attributable to change in rules and regulations of qualification certificate of the urban landscape construction enterprise on 13 April 2017, as a result of which certain newly tendered and awarded landscape related projects were categorized as municipal works construction in accordance with new rules and regulations. Such a change resulted in decrease in number of landscape construction projects newly commenced in 2017.

Municipal works construction

The Group recorded an increase in revenue from the municipal works construction segment, from RMB322.4 million for the six months ended 30 June 2016 to RMB363.8 million for the six months ended 30 June 2017, representing a growth of RMB41.4 million or 12.8%. The increase was primarily attributable to the significant increase in the average contract value of the Group's municipal works construction projects newly commenced in 2017.

Building works

The Group recorded an increase in revenue from the building works segment, from RMB56.7 million for the six months ended 30 June 2016 to RMB150.7 million for the six months ended 30 June 2017, representing a growth of RMB94.0 million or 165.9%. The increase was primarily attributable to the increase in the number of projects that recognised revenue in 2017.

Others

The Group recorded an increase in revenue from the others segment, from RMB11.5 million for the six months ended 30 June 2016 to RMB53.0 million for the six months ended 30 June 2017, representing a growth of RMB41.5 million or 362.0%. The increase was primarily attributable to the increase in the number of projects that recognised revenue in 2017.

Cost of services rendered

Cost of service rendered increased by 20.1% or RMB118.7 million from RMB589.3 million for the six months ended 30 June 2016 to RMB708.0 million for the six months ended 30 June 2017. The increase was generally in line with the increase in revenue for the six months ended 30 June 2017.

Business tax and auxiliary charges

Business tax and auxiliary charges decreased by 91.3% or RMB17.9 million from RMB19.6 million for the six months ended 30 June 2016 to RMB1.7 million for the six months ended 30 June 2017. The decrease was primarily due to the fact that the Group is subject to value-added tax instead of business tax pursuant to the PRC tax reform effective since May 2016.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 27.3% or RMB24.0 million from RMB88.0 million for the six months ended 30 June 2016 to RMB112.0 million for the six months ended 30 June 2017. Gross profit margin of the Group slightly increased from 12.6% for the six months ended 30 June 2016 to 13.6% for the six months ended 30 June 2017, primarily attributable to the decrease in business tax and auxiliary charges pursuant to the PRC tax reform effective since May 2016.

Other income and gains

Other income and gains decreased by 92.5% or RMB5.5 million from RMB6.0 million for the six months ended 30 June 2016 to RMB0.5 million for the six months ended 30 June 2017, primarily attributable to the decrease in interest income from related parties as a result of the decrease in average monthly balances of the amounts due from related parties.

Administrative and other operating expenses

The Group's administrative expenses increased by 45.4% or RMB10.7 million from RMB23.6 million for the six months ended 30 June 2016 to RMB34.3 million for the six months ended 30 June 2017, primarily attributable to growth of business and increase in allowance for trade receivables.

Finance costs

The Group's finance costs decreased by 79.3% or RMB6.2 million from RMB7.8 million for the six months ended 30 June 2016 to RMB1.6 million for the six months ended 30 June 2017, primarily attributable to the decrease in average monthly balance of bank borrowings.

Income tax expense

The Group's income tax expense increased by 17.9% or RMB3.4 million from RMB19.1 million for the six months ended 30 June 2016 to RMB22.5 million for the six months ended 30 June 2017, primarily attributable to the increase in its gross profit and the effect of the non-recurring and non-deductible listing expenses incurred.

Profit for the period attributable to owners of the Company

As a result of the foregoing, the Group's profit increased by 24.1% or RMB10.5 million from RMB43.5 million for the six months ended 30 June 2016 to RMB54.0 million for the six months ended 30 June 2017. The Group's net profit margin increased from 6.2% for the six months ended 30 June 2016 to 6.6% for the six months ended 30 June 2017, primarily attributable to the increase in gross profit margin.

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Cash and cash equivalents (RMB'000)	343,325	108,065
Current ratio	1.7	1.2
Gearing ratio	0.1	0.2

As at 30 June 2017, 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 1.7.

As at 30 June 2017, 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 0.1.

The improvement in current ratio and gearing ratio was mainly attributable to issuance of new shares as a result of the Listing.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group's capital expenditures principally consisted of expenditures on acquisitions of property, plant and equipment in its operations. The Group's capital expenditure amounted to RMB0.8 million for the six months ended 30 June 2017.

Operating lease commitments

As at 30 June 2017 and 31 December 2016, the Group had commitments for future minimum lease payments in respect of the Group's offices under non-cancellable operating lease arrangements, which fall due as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within one year	1,764	1,641
In the second to fifth year inclusive	1,739	300
Over five years	3	3
Total	<u>3,506</u>	<u>1,944</u>

Capital commitments

As at 30 June 2017 and 31 December 2016, the Group had no significant capital commitments.

INDEBTEDNESS

Borrowings

The following table sets forth our total debts as at the dates indicated:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Short-term bank borrowings	<u>61,000</u>	<u>61,000</u>

The average interest rates per annum as at 30 June 2017 was 5.3%.

Except as disclosed above, as at 30 June 2017 and 31 December 2016, 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

The Shares were listed on the Main Board of the Stock Exchange on 31 March 2017 (the “**Listing Date**”) with net proceeds received by the Company from the Listing in the amount of approximately HK\$337.8 million after deducting underwriting commissions and all related expenses.

Since the Listing Date and up to the date of this announcement, the net proceeds from the Listing were not applied for any significant use. The net proceeds are currently held in bank deposits and it is intended that they will be applied in the manner consistent with the proposed allocation in the Company’s prospectus dated 21 March 2017.

INTERIM DIVIDENDS

The Directors do not recommend a dividend for the six months ended 30 June 2017.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the reporting period (i.e. the six months ended 30 June 2017) and up to the date of this announcement.

NO MATERIAL CHANGE

During the six months ended 30 June 2017, 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 2016.

CORPORATE GOVERNANCE HIGHLIGHTS

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the “**CG Code**”) as its own code of corporate governance with effect on 31 March 2017, the Listing Date. The Board is of the opinion that the Company has complied with all applicable code provisions under the CG Code since the Listing Date.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2017, the Group had 289 full-time employees. Total employee benefits expense incurred for the six months ended 30 June 2017 amounted to RMB13.1 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 does not have a share option scheme for the purchase of ordinary shares in the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Shares were listed on the Stock Exchange on 31 March 2017. None of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding the Directors' securities transactions with effect from 31 March 2017, being the Listing Date.

All Directors have confirmed that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct during the period from the Listing Date to the date of this announcement.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 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 2017 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 interim report for the six months ended 30 June 2017 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, 29 August 2017

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.