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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 2021**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	879,780	688,981
Gross profit	79,043	60,809
Profit for the period	12,100	5,614
Profit/(loss) for the period and total comprehensive income for the period attributable to:		
Owners of the Company	12,178	5,953
Non-controlling interests	(78)	(339)

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 2021 together with the comparative unaudited figures for the six months ended 30 June 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	879,780	688,981
Cost of services rendered		(796,975)	(624,798)
Business tax and auxiliary charges		(3,762)	(3,374)
Gross profit		79,043	60,809
Other income and gains	5	2,078	5,845
Administrative and other operating expenses		(32,679)	(30,538)
Impairment loss on trade, bills and other receivables and contract assets, net		(16,245)	(8,968)
Profit from operations		32,197	27,148
Finance costs	6	(16,764)	(13,360)
Share of loss of an associate		(67)	–
Profit before tax		15,366	13,788
Income tax expense	7	(3,266)	(8,174)
Profit for the period	8	12,100	5,614
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period		12,100	5,614
Profit/(loss) for the period and total comprehensive income for the period attributable to:			
Owners of the Company		12,178	5,953
Non-controlling interests		(78)	(339)
		12,100	5,614
Earnings per share			
Basic and diluted (RMB cents per share)	9	2.0	1.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	28,837	27,094
Right-of-use assets		2,115	2,623
Intangible assets	11	122,576	123,758
Investment in an associate		83	–
Total non-current assets		153,611	153,475
Current assets			
Trade, bills and other receivables	12	830,225	810,121
Contract assets		967,690	954,564
Deposits with initial term of over three months		11,200	21,500
Bank and cash balances		231,443	281,483
Total current assets		2,040,558	2,067,668
TOTAL ASSETS		2,194,169	2,221,143
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	5,487	5,487
Reserves		882,333	870,155
		887,820	875,642
Non-controlling interests		6,755	6,833
Total equity		894,575	882,475
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,302	2,081
Borrowings		117,796	113,443
Total non-current liabilities		119,098	115,524
Current liabilities			
Trade payables	14	266,805	324,268
Accruals and other payables		144,852	142,793
Contract liabilities		42,122	69,958
Lease liabilities		1,537	1,591
Borrowings		606,374	566,483
Current tax liabilities		118,806	118,051
Total current liabilities		1,180,496	1,223,144
TOTAL EQUITY AND LIABILITIES		2,194,169	2,221,143

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(100,127)	(25,000)
Investment in an associate	(150)	–
Purchases of property, plant and equipment	(3,699)	(3,674)
Purchases of intangible assets	–	(11,009)
Decrease in deposits with initial term of over three months	10,300	17,621
Interest received	225	260
Proceeds from disposals of property, plant and equipment	–	399
NET CASH GENERATED FROM INVESTING ACTIVITIES	6,676	3,597
Borrowings raised	118,694	96,000
Repayment of borrowings	(74,450)	(65,225)
Principal elements of lease payments	(833)	(334)
NET CASH GENERATED FROM FINANCING ACTIVITIES	43,411	30,441
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(50,040)	9,038
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	281,483	161,903
CASH AND CASH EQUIVALENTS AT END OF PERIOD	231,443	170,941
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	231,443	170,941

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 2021, 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 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 (the "Listing Rules").

The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020. 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 2020 except as stated below.

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 2021. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. 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 condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2020. A number of new or amended standards are effective from 1 January 2021 but they do not have a material effect on the Group's condensed consolidated 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 RMB'000 (Unaudited)	Municipal works construction RMB'000 (Unaudited)	Building works RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2021					
External revenue	325,464	281,640	257,261	15,415	879,780
Segment results	<u>27,652</u>	<u>36,042</u>	<u>12,000</u>	<u>3,349</u>	<u>79,043</u>
Six months ended 30 June 2020					
External revenue	146,894	221,227	293,106	27,754	688,981
Segment results	<u>14,550</u>	<u>29,296</u>	<u>13,852</u>	<u>3,111</u>	<u>60,809</u>

All the revenue from construction contracts was recognised over time during the six months ended 30 June 2021 and 2020 except for the revenue from agency services of RMB2,889,000 (six months ended 30 June 2020: RMB739,000) included in "Others" segment that was recognised at a point in time during the six months ended 30 June 2021 and 2020.

(ii) Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total profit or loss of reportable segments	79,043	60,809
Unallocated amounts:		
Interest income	225	260
Government incentives and awards	1,370	891
Impairment loss on trade, bills and other receivables and contracts assets, net	(16,245)	(8,968)
Depreciation of right-of-use assets	(508)	(337)
Depreciation of property, plant and equipment	(1,956)	(1,657)
Amortisation of intangible assets	(2,202)	(2,202)
Finance costs	(16,764)	(13,360)
Employee benefits expense	(18,485)	(16,344)
Research and development expenditure	(421)	(316)
Others	(8,691)	(4,988)
Consolidated profit before tax	<u>15,366</u>	<u>13,788</u>

Segment assets and liabilities of the Group are not reported to the directors of the Company 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:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Receivables, which are included in "Trade and other receivables"	464,974	490,770
Contract assets	967,690	954,564
Contract liabilities	42,122	69,958

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on construction contracts at the end of the reporting period. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contract liabilities primarily relate to advance consideration received from customers for construction contracts, for which revenue is recognised over time.

The amount of RMB18,850,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB20,887,000).

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	225	260
Exchange gain	58	282
Government incentives and awards (note)	1,370	891
Compensation income	–	4,000
Others	425	412
	2,078	5,845

Note:

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

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	19,951	16,495
Interest expense on lease liabilities	216	3
	<u>20,167</u>	<u>16,498</u>
Total borrowing costs	20,167	16,498
Amount capitalised	(3,403)	(3,138)
	<u>16,764</u>	<u>13,360</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC		
Provision for the period	3,266	8,174

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months ended 30 June 2021 and 2020.

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.

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 2021 and 2020. Except one of the subsidiaries of the Company incorporated in the PRC, Zhejiang Chanhhigh Construction Limited (浙江滄海建設有限公司) (“**Chanhhigh Construction**”) had obtained the qualification of High and New Technology Enterprise with a validation period of three years starting from 2020. The applicable income tax rate for Chanhhigh Construction was 15% for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%).

For the six month ended 30 June 2021 and 2020, 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 RMB1,000,000, the applicable enterprise income tax rate determined by the relevant authority is 5%; if its annual taxable income is more than RMB1,000,000 but less than RMB3,000,000, the applicable enterprise income tax rate is 20% with preferential concession by 50%.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Auditors' remuneration	330	330
Impairment loss on trade, bills and other receivables and contract assets, net	16,245	8,968
Cost of services rendered	796,975	624,798
Loss on disposal of property, plant and equipment	–	404
Exchange gain	(58)	(282)
Depreciation of property, plant and equipment	1,956	1,657
Depreciation of right-of-use assets	508	337
Amortisation of intangible assets	2,202	2,202
Research and development expenditure	421	316
Employee benefits expense (including directors' emoluments)	18,485	16,344
Operating lease charges – land and buildings	2,099	1,191
	<u>2,099</u>	<u>1,191</u>

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	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>12,178</u>	<u>5,953</u>
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation (thousand shares)	<u>618,502</u>	<u>618,502</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of approximately RMB3,699,000 (six months ended 30 June 2020: RMB3,674,000).

11. INTANGIBLE ASSETS

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Construction licenses	95,751	97,946
Copyrights	117	125
Concession rights (note)	26,708	25,687
	<u>122,576</u>	<u>123,758</u>

Note:

The service concession rights relate to a service concession arrangement with Public and Private Partnership Project Services Centre of Fuyang, Hangzhou (杭州市富陽區政府和社會資本合作項目服務中心), in which the Group carries out construction work for the granting authority and receives, in exchange, a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority for a period of 10 years. As the Group receives a right to charge users of public service, with an undeterminable amount, the assets are classified as intangible assets. The carrying amount is measured by reference to the construction and other costs incurred by the Group plus estimated profit margin. During the period, RMB1,021,000 was capitalised as concession rights (six months ended 30 June 2020: RMB11,950,000). Once the underlying infrastructure of the concession arrangements has been completed, the concession rights will be amortised on a straight-line basis over the 10-year period of operation granted by the granting authority.

12. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Trade and bills receivables	456,843	497,898
Allowance for impairment of trade and bills receivables	(47,030)	(33,521)
	<u>409,813</u>	<u>464,377</u>
Deposits, prepayments and other receivables	421,333	346,542
Allowance for impairment of other receivables	(921)	(798)
	<u>420,412</u>	<u>345,744</u>
	<u>830,225</u>	<u>810,121</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 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, net of allowance for impairment of trade and bills receivables, based on the contract terms for the works certified is as follow:

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
0 to 90 days	168,954	224,064
91 to 180 days	67,212	38,895
181 to 365 days	35,625	49,685
Over 1 year but less than 2 years	68,136	73,774
Over 2 years but less than 3 years	24,499	22,046
Over 3 years	45,387	55,913
	<u>409,813</u>	<u>464,377</u>

Included in the trade receivables as at 31 December 2020 was an amount due from a former related company of Huzhou Canghu Construction Investment Company Limited (湖州滄湖建設投資有限公司) (“**Huzhou Canghu**”) of RMB171,000. Huzhou Canghu ceased to be related company of the Group on 1 April 2021 as a result of disposal of equity interest by The Peng Family to an independent third party.

13. SHARE CAPITAL

	Number of shares '000	Amount	
		HK\$'000	RMB'000
Authorised:			
Ordinary shares of HK\$0.01 per share:			
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021 (unaudited)	<u>2,000,000</u>	<u>20,000</u>	<u>17,733</u>
Issued and fully paid:			
Ordinary shares of HK\$0.01 per share:			
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021 (unaudited)	<u>618,502</u>	<u>6,185</u>	<u>5,487</u>

14. TRADE PAYABLES

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

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
0 to 90 days	32,230	139,836
91 to 180 days	90,391	55,010
181 to 365 days	47,631	31,519
Over 1 year but less than 2 years	26,494	28,257
Over 2 years but less than 3 years	14,982	13,597
Over 3 years	55,077	56,049
	<hr/> 266,805 <hr/> <hr/>	<hr/> 324,268 <hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

2021 is the first year of implementing the “14th Five-year Plan”, during the first half of 2021, preventive controls against COVID-19 were being coordinated for implementation as constant measures and the economy continued to operate and was in the process of steady recovery. The quality of operations in the construction industry was further enhanced, enterprises were facing new development opportunities, with specific details as follows:

I. Continuous growth in the output value and incremental value of the construction industry

According to the data of “Statistical Analysis of the Development of Construction Industry in the First Half of 2021” released by the China Construction Industry Association, in the first half of the year, the output value completed by the construction industry in China amounted to RMB11.98 trillion, representing an increase of 18.85% year-on-year; the incremental value completed was RMB3.33 trillion, representing an increase of 8.6% year-on-year. The output value of construction projects completed by construction enterprises nationwide amounted to RMB10.59 trillion, representing an increase of 19.16% year-on-year, the output value of construction projects accounted for 88.94% in the total output value; the completion output value of completed construction projects amounted to RMB4.43 trillion, representing an increase of 16.59% year-on-year, under the macroeconomic background of “eliminating production capacity, eliminating inventories and eliminating leverages”, a relatively high growth rate was maintained, and the overall development trend of the construction industry was stable.

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

As the weather warmed up in spring in 2021, construction industry commenced works together and the progress of construction accelerated in the construction industry. The business activity index of the construction industry returned to a high level within the optimism range in March 2021, and continued to remained at high level within the optimism range during both May and June. The business activity index of the construction industry continued to stay at high level within the optimism range showed that the market continued to maintain a trend of faster growth. From the perspective of employment by enterprises and market expectations, the indices of employment and business activity in the construction industry are expected to rise, the demand for labour force in the construction industry will continue to increase.

III. Increased efforts in policy support to the construction industry

In the first half of 2021, under the circumstances that preventive controls against COVID-19 have become constant measures, the government has unveiled a range of important policies to promote the development of the construction industry and for attaining the targets of the 14th Five-year Plan, which have provided a strong assurance to the development of the construction industry.

The work report of the government has proposed an arrangement in 2021 for the local government to issue special bonds in the amount of RMB3.65 trillion and will optimize the use of proceeds from the bonds to give support in priority to projects under construction and with reasonable expansion in the scope of utilization. The central government has budgeted an internal investment arrangement in the amount of RMB610 billion. Continuous support will be given to facilitate the regional coordinated development of major projects, to promote the construction of “Two New One Major (兩新一重)” projects (new infrastructure, new urbanization and major transport and water projects), and implemented a batch of major engineering projects in transport, energy, water and other sectors. The government’s investments will be inclined to more projects which can benefit a broad area of people’s livelihood, including 53,000 new projects to revitalize towns and old communities, by improving the public service standards in counties and towns. The funding support from the government will bring significant development opportunities to the construction enterprises.

The Group has a number of Class One qualifications in municipal works, construction, water and other works, which are highly matching with the State’s industrial development plan of “Two Major One New (兩重一新)” and will have greater competitive advantages in project development.

The 14th Five-year Plan has pointed out the target to build a digital China by accelerating the development of modern service industries, coordinating and promoting the construction of infrastructure, digital Zhejiang has pointed out the application scenario of “city brain + future community”, digital Ningbo aims to strongly promote the layout and establishment of the basic perception layer, to build up a full industrial chain of “sensor and hardware + platform + application scenario”. The Group has gradually developed the relevant business in the technology sector, and has deployed low cost, low power consumption, high precision and highly reliable intelligent sensors to fuse with the traditional architecture of the Group, and transform the physical properties of architecture into data properties through the sensors, and then utilize the self-developed software system of the Group to analyze the data and show the real-time monitoring status of the “vital signs” of the architecture to provide data information for the construction of an intelligent city.

In the first half of 2021, the revenue of the Group was approximately RMB879.8 million, representing an increase of 27.7% when compared with the same period of 2020, the sources of business revenue were mainly from: 1) landscaping construction, 2) municipal works construction, 3) building works and 4) others, which represented 37.0%, 32.0%, 29.2% and 1.8% in the total revenue of the Group for the six months ended 30 June 2021.

In the first half of 2021, two new patent applications were made, and three QC (Quality Control) reports were successfully released, of which two QC accomplishments were awarded First Prize and one QC accomplishment announcement was awarded Second Prize in the QC Accomplishment Announcements presented by the Municipal Industry Association of Zhejiang Province in 2021. The Group was awarded as one of the 2021 National Top 50 Urban Greening Enterprises. A number of projects have won the Gold Prize of “Camellia Cup” Awards in gardening presented by Ningbo City (寧波市園林“茶花杯”金獎), including the River Chu (滌河) water system comprehensive treatment EPC (Engineering Procurement Construction (design, procurement and construction)) project, the Qingdao CSCEC Splendid City (青島中建錦繡城) gardening and landscaping project, and the Health and Biological Industrial Park’s wetland park EPC general contracting project.

PROSPECTS

At present, a wave of “State comes in and citizens go out” has appeared in the overall development of the construction industry, there are signs that private enterprises have collaborations with State-owned enterprises for joint development.

Strengthening foundation, rectifying deficiencies and Two New One Major (兩新一重) are the important directions of investments during the period of the 14th Five-year Plan. Through the joint efforts of old and new infrastructure, a comprehensive, efficient, practical, intelligent, green, safe and reliable modern infrastructure system will be built. The State’s strong development efforts in major water projects have provided a favourable basis of policy guidance for the development of water resources of the Group, the Group will closely follow the fast-moving vehicle of water project development and pursue joint development with State-owned enterprises.

During the first half of 2021, the Group has closely followed the national policies by establishing a foothold in Ningbo for business development while actively expanding nationwide business. In the second half of the year, the Group will continue to focus on traditional infrastructural construction as the foundation to explore modes of joint development with State-owned enterprises continuously, and great efforts will be exerted to develop businesses of the full construction industrial chain by using technological innovations to achieve breakthroughs and empower the construction of infrastructure in a practical and advancing manner to ensure the target works of 2021 and beyond will be attained smoothly.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 27.7% or RMB190.8 million from RMB689.0 million for the six months ended 30 June 2020 to RMB879.8 million for the six months ended 30 June 2021. The increase was attributable to the construction progress of certain high value contracts entered into the peak stage, and the slight increase in the overall number of projects during the six months ended 30 June 2021.

The revenue recognised during the period for projects completed during the six months ended 30 June 2021 and in progress as at the end of the six months ended 30 June 2021 as compared with that of the previous corresponding period is tabulated as follows:

Business segments	For the six months ended 30 June					
	Revenue RMB'000	2021		Revenue RMB'000	2020	
		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	325,464	29	47	146,894	15	63
Municipal works construction	281,640	38	69	221,227	28	68
Building works	257,261	15	22	293,106	5	23
Others	15,415	7	15	27,754	6	17
Total	879,780	89	153	688,981	54	171

Landscape construction

The Group recorded an increase in revenue from the landscape construction segment, from RMB146.9 million for the six months ended 30 June 2020 to RMB325.5 million for the six months ended 30 June 2021, representing an increase of 121.6% or RMB178.6 million. The increase was mainly due to the increase in average landscape construction project contract value for the six months ended 30 June 2021 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 RMB221.2 million for the six months ended 30 June 2020 to RMB281.6 million for the six months ended 30 June 2021, representing an increase of 27.3% or RMB60.4 million. The increase was mainly due to the increase in overall number of municipal works construction projects for the six months ended 30 June 2021 as compared with that of the previous corresponding period.

Building works

The Group recorded a decrease in revenue from the building works segment, from RMB293.1 million for the six months ended 30 June 2020 to RMB257.3 million for the six months ended 30 June 2021, representing a decrease of 12.2% or RMB35.8 million. The decrease was mainly due to the fact that certain building works projects were in the completion stage and the construction revenue generated was relatively low for the six months ended 30 June 2021 as compared with that of the previous corresponding period.

Others

The Group recorded a decrease in revenue from the others segment, from RMB27.8 million for the six months ended 30 June 2020 to RMB15.4 million for the six months ended 30 June 2021, representing a decrease of 44.6% or RMB12.4 million. The decrease was mainly due to the decrease in average contract value of other projects, mainly including decoration projects and landscape maintenance services, for the six months ended 30 June 2021 as compared with that of the previous corresponding period.

Cost of services rendered

Cost of service rendered increased by 27.6% or RMB172.2 million from RMB624.8 million for the six months ended 30 June 2020 to RMB797.0 million for the six months ended 30 June 2021. Generally, the increase in cost of service rendered was in line with the increase in revenue for the period.

Gross profit and gross profit margin

The Group's gross profit increased by 29.9% or RMB18.2 million from RMB60.8 million for the six months ended 30 June 2020 to RMB79.0 million for the six months ended 30 June 2021. Gross profit margin of the Group increased from 8.8% for the six months ended 30 June 2020 to 9.0% for the six months ended 30 June 2021. The increase in gross profit was mainly due to the increase in proportion of revenue contributed by landscape construction segment of which the gross profit margin is relatively higher.

Other income and gains

Other income and gains decreased by 63.8% or RMB3.7 million from RMB5.8 million for the six months ended 30 June 2020 to RMB2.1 million for the six months ended 30 June 2021, which was mainly due to a compensation income of RMB4.0 million received from the government in the previous corresponding period for expropriation of a piece of land.

Administrative and other operating expenses

The Group's administrative expenses increased by 7.2% or RMB2.2 million from RMB30.5 million for the six months ended 30 June 2020 to RMB32.7 million for the six months ended 30 June 2021, which was mainly due to increase in staff welfare expenses.

Finance costs

The Group's finance costs increased by 25.4% or RMB3.4 million from RMB13.4 million for the six months ended 30 June 2020 to RMB16.8 million for the six months ended 30 June 2021, which was mainly due to increase in average monthly bank borrowing balances.

Income tax expense

The Group's income tax expense decreased by 59.8% or RMB4.9 million from RMB8.2 million for the six months ended 30 June 2020 to RMB3.3 million for the six months ended 30 June 2021, which was mainly due to the decrease in income tax rate of Chanhigh Construction from 25% to 15%.

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Cash and cash equivalents (RMB'000)	231,443	281,483
Current ratio	1.7	1.7
Gearing ratio	0.8	0.8

As at 30 June 2021, 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 2021, 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 0.8.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

For the six months ended 30 June 2021, the Group incurred capital expenditures totalling RMB4,720,000 in relation to property, plant and equipment and intangible assets.

Capital commitments

As at 30 June 2021, the Group had no significant capital commitment.

INDEBTEDNESS

Borrowings

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Bank borrowings	709,296	654,443
Factoring loan with recourse	14,874	25,483
	<u>724,170</u>	<u>679,926</u>

The average interest rates for bank loans and factoring loan with recourse as at 30 June 2021 were 4.63% and 5.94% per annum respectively.

Except as disclosed above, as at 30 June 2021, 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 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 design firm(s) in the Yangtze River Delta possessing qualification in architecture related 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:

- 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 2022.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021.

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 2021, except that chairman of the Board, Mr. Peng Tianbin, did not attend the annual general meeting on 7 June 2021 due to unexpected business engagements.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2021, the Group had 576 full-time employees. Total employee benefits expense incurred for the six months ended 30 June 2021 amounted to RMB18.5 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 2021, 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 2021.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 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 2021 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 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 2021 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, 26 August 2021

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.