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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 2022**

**FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	<b>837,241</b>	879,780
<b>Gross profit</b>	<b>58,759</b>	79,043
<b>Profit for the period</b>	<b>4,727</b>	12,100
<b>Profit/(loss) for the period and total comprehensive income for the period attributable to:</b>		
Owners of the Company	<b>4,770</b>	12,178
Non-controlling interests	<b>(43)</b>	(78)

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 2022 together with the comparative unaudited figures for the six months ended 30 June 2021, as follows:

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

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>837,241</b>	879,780
Cost of services rendered		(775,229)	(796,975)
Business tax and auxiliary charges		(3,253)	(3,762)
<b>Gross profit</b>		<b>58,759</b>	79,043
Other income and gains	5	1,726	2,078
Administrative and other operating expenses		(32,881)	(32,679)
Impairment loss on trade, bills and other receivables and contract assets, net		(9,082)	(16,245)
<b>Profit from operations</b>		<b>18,522</b>	32,197
Finance costs	6	(12,123)	(16,764)
Share of profit/(loss) of associates		32	(67)
Gain on disposal of a subsidiary		27	–
<b>Profit before tax</b>		<b>6,458</b>	15,366
Income tax expense	7	(1,731)	(3,266)
<b>Profit for the period</b>	8	<b>4,727</b>	12,100
<b>Other comprehensive income for the period, net of tax</b>		–	–
<b>Total comprehensive income for the period</b>		<b>4,727</b>	12,100
<b>Profit/(loss) for the period and total comprehensive income for the period attributable to:</b>			
Owners of the Company		4,770	12,178
Non-controlling interests		(43)	(78)
		(4,727)	12,100
<b>Earnings per share</b>			
Basic and diluted (RMB cents)	9	<b>0.8</b>	2.0

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*As at 30 June 2022*

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	26,862	27,125
Right-of-use assets		1,100	1,608
Intangible assets	11	62,527	125,953
Investments in associates		28,820	24
<b>Total non-current assets</b>		<b>119,309</b>	<b>154,710</b>
<b>Current assets</b>			
Trade, bills and other receivables	12	663,905	804,956
Contract assets		1,062,568	976,791
Amount due from an associate		74,036	–
Deposits with initial terms of over three months		95,849	43,960
Bank and cash balances		243,884	309,791
<b>Total current assets</b>		<b>2,140,242</b>	<b>2,135,498</b>
<b>TOTAL ASSETS</b>		<b>2,259,551</b>	<b>2,290,208</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	5,487	5,487
Reserves		906,335	901,565
		911,822	907,052
Non-controlling interests		6,680	6,723
<b>Total equity</b>		<b>918,502</b>	<b>913,775</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		–	638
Borrowings		112,002	104,796
<b>Total non-current liabilities</b>		<b>112,002</b>	<b>105,434</b>
<b>Current liabilities</b>			
Trade payables	14	359,223	329,230
Accruals and other payables		106,712	148,946
Contract liabilities		63,290	84,833
Lease liabilities		1,302	1,443
Borrowings		578,000	584,000
Current tax liabilities		120,520	122,547
<b>Total current liabilities</b>		<b>1,229,047</b>	<b>1,270,999</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,259,551</b>	<b>2,290,208</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2022*

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(42,515)</b>	<b>(100,127)</b>
Investment in an associate	–	(150)
Purchases of property, plant and equipment	<b>(1,280)</b>	(3,699)
(Increase)/decrease in deposits with initial terms of over three months	<b>(51,889)</b>	10,300
Interest received	<b>355</b>	225
Proceeds from disposal of a subsidiary	<b>28,995</b>	–
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(23,819)</b>	<b>6,676</b>
Borrowings raised	<b>67,206</b>	118,694
Repayment of borrowings	<b>(66,000)</b>	(74,450)
Principal elements of lease payments	<b>(779)</b>	(833)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>427</b>	<b>43,411</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(65,907)</b>	<b>(50,040)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>309,791</b>	<b>281,483</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>243,884</b>	<b>231,443</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	<b>243,884</b>	<b>231,443</b>

## 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 2022, 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 2021. 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 2021 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 2022. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; 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 2021. A number of new or amended standards are effective from 1 January 2022 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:*

	<b>Landscape construction RMB'000 (Unaudited)</b>	<b>Municipal works construction RMB'000 (Unaudited)</b>	<b>Building works RMB'000 (Unaudited)</b>	<b>Others RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<b>Six months ended 30 June 2022</b>					
External revenue	180,214	275,280	364,741	17,006	837,241
Segment results	<u>14,050</u>	<u>26,772</u>	<u>14,672</u>	<u>3,265</u>	<u>58,759</u>
<b>Six months ended 30 June 2021</b>					
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>

All the revenue from construction contracts was recognised over time during the six months ended 30 June 2022 and 2021 except for the revenue from agency services of RMB1,276,000 (six months ended 30 June 2021: RMB2,889,000) included in "Others" segment that was recognised at a point in time during the six months ended 30 June 2022 and 2021.

*(ii) Reconciliation of reportable segment profit or loss:*

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Total profit or loss of reportable segments</b>	<b>58,759</b>	79,043
Unallocated amounts:		
Interest income	355	225
Government incentives and awards	1,237	1,370
Impairment loss on trade, bills and other receivables and contracts assets, net	(9,082)	(16,245)
Gain on disposal of a subsidiary	27	–
Depreciation of right-of-use assets	(508)	(508)
Depreciation of property, plant and equipment	(1,391)	(1,956)
Amortisation of intangible assets	(681)	(2,202)
Finance costs	(12,123)	(16,764)
Employee benefits expense	(18,663)	(18,485)
Research and development expenditure	(1,202)	(421)
Others	<u>(10,270)</u>	<u>(8,691)</u>
Consolidated profit before tax	<u><b>6,458</b></u>	<u>15,366</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 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Receivables, which are included in "Trade and other receivables"	404,659	505,502
Contract assets	1,062,568	976,791
Contract liabilities	<u>63,290</u>	<u>84,833</u>

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 RMB12,670,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB18,850,000).

## 5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest income on bank deposits	355	225
Exchange gain	–	58
Government incentives and awards (note)	1,237	1,370
Others	<u>134</u>	<u>425</u>
	<u>1,726</u>	<u>2,078</u>

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest on bank borrowings	15,660	19,951
Interest expense on lease liabilities	<u>114</u>	<u>216</u>
Total borrowing costs	15,774	20,167
Amount capitalised	<u>(3,651)</u>	<u>(3,403)</u>
	<u>12,123</u>	<u>16,764</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC		
Provision for the period	<u>1,731</u>	<u>3,266</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months ended 30 June 2022 and 2021.

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 2022 and 2021. Except one of the subsidiaries of the Company incorporated in the PRC, Zhejiang Chanhig Construction Limited\* (浙江滄海建設有限公司) (“**Chanhig 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 Chanhig Construction was 15% for the six months ended 30 June 2022 (six months ended 30 June 2021: 15%).

For the six month ended 30 June 2022 and 2021, 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Auditor’s remuneration	340	330
Impairment loss on trade, bills and other receivables and contract assets, net	9,082	16,245
Exchange loss/(gain)	217	(58)
Depreciation of property, plant and equipment	1,391	1,956
Depreciation of right-of-use assets	508	508
Amortisation of intangible assets	681	2,202
Research and development expenditure	1,202	421
Employee benefits expense (including directors’ emoluments)	18,663	18,485
Operating lease charges – land and buildings	<u>227</u>	<u>2,099</u>



## 9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>4,770</u>	<u>12,178</u>
<b>Number of shares</b>		
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 2022, the Group acquired property, plant and equipment of approximately RMB1,280,000 (six months ended 30 June 2021: RMB3,699,000).

## 11. INTANGIBLE ASSETS

	At 30 June	At 31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Construction licenses	29,044	93,557
Copyrights	102	110
Concession rights (note)	<u>33,381</u>	<u>32,286</u>
	<u>62,527</u>	<u>125,953</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, RMB1,095,000 was capitalised as concession rights (six months ended 30 June 2021: RMB1,021,000). 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 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Trade and bills receivables	414,411	492,526
Allowance for impairment of trade and bills receivables	(50,746)	(42,778)
	<u>363,665</u>	<u>449,748</u>
Deposits, prepayments and other receivables	303,139	357,883
Allowance for impairment of other receivables	(2,899)	(2,675)
	<u>300,240</u>	<u>355,208</u>
	<u><u>663,905</u></u>	<u><u>804,956</u></u>

Trade and bills receivables represented the construction contracts and rendering of services receivables from the customers at each of the reporting dates. The Group's trading terms with its customers are mainly 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 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
0 to 90 days	95,759	164,577
91 to 180 days	11,053	92,177
181 to 365 days	116,531	64,053
Over 1 year but less than 2 years	24,409	24,169
Over 2 years but less than 3 years	55,854	59,660
Over 3 years	60,059	45,112
	<u>363,665</u>	<u>449,748</u>

## 13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000	RMB'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.01 per share:			
At 1 January 2021 (audited), 31 December 2021 (audited), 1 January 2022 (audited) and 30 June 2022 (unaudited)	<u>2,000,000</u>	<u>20,000</u>	<u>17,733</u>
<b>Issued and fully paid:</b>			
Ordinary shares of HK\$0.01 per share:			
At 1 January 2021 (audited), 31 December 2021 (audited), 1 January 2022 (audited) and 30 June 2022 (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:

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	<b>At 31 December 2021 RMB'000 (Audited)</b>
0 to 90 days	<b>85,871</b>	85,688
91 to 180 days	<b>71,058</b>	55,683
181 to 365 days	<b>61,045</b>	79,885
Over 1 year but less than 2 years	<b>68,335</b>	39,639
Over 2 years but less than 3 years	<b>17,495</b>	18,821
Over 3 years	<b>55,419</b>	49,514
	<hr/> <b>359,223</b> <hr/>	<hr/> 329,230 <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY AND BUSINESS REVIEW

Due to China's tightened regulatory policies for the real estate market, the restrictions under the "Three Red Lines" policy and the conditions of the credit market, the beginning of 2022 saw a real estate market buried under ice and snow, which has dealt an immediate and severe blow to the construction industry. Nevertheless, adjustments made under related government policies boosted the investment in infrastructure and expanded the scale of investment. The construction industry enterprises were facing digital transformation and enterprises were facing new development opportunities, with specific details as follows:

#### I. A Growth driven by investment in the construction industry

According to the data released by the National Bureau of Statistics, in 2022, the total output value of the construction industry in China amounted to RMB12.9 trillion, an increase of 7.6% year-on-year; and the national construction industry housing construction area amounted to 12.07 billion square meters, representing a year-on-year increase of 1.2%. During the first half of 2022, investment in infrastructure posted a year-on-year increase of 7.1%, which was driven by efforts to speed up the issuance of special bonds. Under the circumstances that the real estate market posted a drop in terms of investment and sales, a growth in investment in infrastructure has played an important supporting role in maintaining a rapid growth in the construction industry.

According to the statistics, the issuance of special bonds by local governments in China expanded to over RMB3.4 trillion during the first half of the year, representing an increase of approximately RMB2.4 trillion as compared with that of the previous corresponding period and a faster pace of issuance as compared with that of the previous corresponding period. The investment in information and communications sector increased by 20.6%, the investment in water resources management sector increased by 12.7%, the investment in public facility management sector increased by 10.9%, and the investment in ecological conservation and environmental governance sector increased by 4.8%. Driven by the investment, the construction industry is embracing a steady recovery, with a year-on-year growth of 2.8% in the incremental value that gave a boost to economic growth by 0.2%.

#### II. Business activity index of the construction industry grows steadily

During the first half of 2022, the business activity index of the construction industry continues to stay at high level within the optimism range, with highest level during June, indicating promising prospects of the construction industry. The business activity index of the construction industry during February is expected to remained at high level within the optimism range for the following two months, indicating an expectation that the construction industry can continue to perform well as driven by accelerated construction based on stable investment, appropriate advancement of certain constructions and projects for major infrastructure and other factors. The business activity index of the construction industry during April continued to expand, and the housing construction and civil engineering construction business activity index was 61.0%, continued to remained at high level within the optimism range during the two months. This, together with a new order index of 52.3%,

has well shown a continued expansion, which indicates the role of faster construction progress in line with appropriate advancement of certain constructions for major infrastructure in supporting social and economic recovery and development, to a certain extent. The supplier delivery time index during June was 50.5%, representing an increase from 8.8% during the last month and an increase to the expansionary territory, indicating the good progress made in carrying out the policies of ensuring smooth transportation and logistics, alleviation of disruptions to transportation of construction materials, and solid support for ensuring construction progress.

### **III. Digital transformation of the construction industry and energizing new markets by strengthening construction of water conservancy infrastructure**

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

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

In the first half of 2022, the revenue of the Group was approximately RMB837.2 million, representing a slight decrease of 4.8% when compared with the same period of 2021, the sources of business revenue were mainly from: 1) landscaping construction, 2) municipal works construction, 3) building works and 4) others, which represented 21.5%, 32.9%, 43.6% and 2.0% in the total revenue of the Group for the six months ended 30 June 2022.

The Group has a number of Class One qualifications in municipal works, construction, water and other works. This, together with our active expansion to the water works and hydropower market following the completion of requirements by reforms for the mixed ownership between subsidiaries of the Group and China Railway First Group (HK) Co., Limited, a state-owned enterprise, during the first half of 2022, are highly matching with the State’s industrial development plan of “Two Major One New (兩重一新)”. In particular, our technology segment has actively responded to the trend of merging construction with new-generation information technology, and will have greater competitive advantages in project development.

During the first half of 2022, the Company has successfully obtained two Grade-A Qualifications of project supervising enterprises for municipal works construction and building construction. These qualifications can surely open a new chapter of our construction consultancy and management services. During the first half of the year, the Company has won honors such as Safe Construction Site of Zhejiang Building Construction and Municipal Infrastructure Projects (浙江省房屋建築和市政基礎設施工程“平安工地”), “Yongjiang Construction Cup” of Ningbo, “Camellia Cup” Award and “Camellia Cup” for Landscape Maintenance Award in Ningbo, Ningbo Outstanding Architecture Design Award (寧波市建設工程優秀勘察設計獎) for eight outstanding construction projects; the Model of Collective Business Association of Ningbo (寧波市集體商協示範單位) and Harmony Enterprise of Ningbo for the first time, and Top 50 in enterprises in China’s landscape architecture. The Company has been comprehensively cultivating skilled workers, with its four outstanding employees awarded the titles of Zhejiang Provincial Outstanding Construction Entrepreneur (浙江省建築業優秀企業家), Outstanding Engineer and Project Manager of Construction Companies of Zhejiang (浙江省建築業企業優秀建造師專案經理), Model Worker of Yinzhou District (鄞州區勞動模範) and Craftsman of Yinzhou District(鄞州工匠).

## **PROSPECTS**

Development projects of the construction industry can be categorized as traditional infrastructural construction or new infrastructural construction. After reviewing work reports of various local governments and policies of the central government of the PRC, we aware of a tendency that infrastructure investment will be tilted towards new infrastructural construction in 2022. It is estimated that the scale of new infrastructure will be nearly RMB1.6 trillion in 2022, representing a growth rate of approximately 17.0%. Due to the fallout resulting from domestic and external environments as well as the epidemic, the number of new infrastructure projects will not grow significantly, while a large number of new infrastructure projects will be released during the second half of the year.

According to the executive meeting of the State Council, the construction of major water conservancy projects will be strengthened but will not be weakened. Effective investment will be scaled up with a focus on water conservancy projects. China is expected to complete the investment in water conservancy infrastructure of over RMB0.8 trillion in 2022. As at the end of April, investments in water conservancy infrastructure of RMB0.2 trillion by local governments have been completed. It means that the huge potential of the investment in a large number of water conservancy infrastructure projects will be unleashed during the second half of the year.

Recently, the executive meeting of the State Council has decided to begin construction on national infrastructure projects in relation to connectivity of expressways, provincial highways with major constraints removed, development of inland waterways and ports with enhanced functions.

Looking forward, the Group will closely follow the national policies. The Group will continue to focus on traditional infrastructural construction as the foundation, while using technological innovations to achieve breakthroughs and foster water conservancy infrastructure construction as its new growth driver. Based on fundamentals, policies as drivers and “Construction +”, the Group will capture opportunities arising from various circumstances, so as to realise the “Dream of Chanhigh” and open a new chapter of Chanhigh.

## FINANCIAL REVIEW

### Revenue

Revenue of the Group slightly decreased by 4.8% or RMB42.6 million from RMB879.8 million for the six months ended 30 June 2021 to RMB837.2 million for the six months ended 30 June 2022. This was attributable to the fact that as compared with the same period of last year, for the six months ended 30 June 2022, the revenue from the landscape construction segment and municipal works construction segment decreased by 44.6% or RMB145.3 million and 2.2% or RMB6.3 million respectively even though the revenue from the building works segment increased by 41.7% or RMB107.4 million.

The revenue recognised during the period for projects completed during the six months ended 30 June 2022 and in progress as at the end of the six months ended 30 June 2022 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	2022 No. of projects completed during the period	No. of projects in progress as at the period end	Revenue RMB'000	2021 No. of projects completed during the period	No. of projects in progress as at the period end
Landscape construction	180,214	13	50	325,464	29	47
Municipal works construction	275,280	22	43	281,640	38	69
Building works	364,741	3	20	257,261	15	22
Others	17,006	7	19	15,415	7	15
<b>Total</b>	<b>837,241</b>	<b>45</b>	<b>132</b>	<b>879,780</b>	<b>89</b>	<b>153</b>

### Landscape construction

The Group recorded a decrease in revenue from the landscape construction segment, from RMB325.5 million for the six months ended 30 June 2021 to RMB180.2 million for the six months ended 30 June 2022, representing a decrease of 44.6% or RMB145.3 million. This was mainly due to decrease in average landscape construction project contract value for the six months ended 30 June 2022 as compared with that of the previous corresponding period.

### Municipal works construction

The Group recorded a slight decrease in revenue from the municipal works construction segment, from RMB281.6 million for the six months ended 30 June 2021 to RMB275.3 million for the six months ended 30 June 2022, representing a decrease of 2.2% or RMB6.3 million. This was mainly due to decrease in number of municipal works construction projects for the six months ended 30 June 2022 as compared with that of the previous corresponding period.



## **Building works**

The Group recorded an increase in revenue from the building works segment, from RMB257.3 million for the six months ended 30 June 2021 to RMB364.7 million for the six months ended 30 June 2022, representing an increase of 41.7% or RMB107.4 million. This was mainly due to the fact that certain large-scale building works projects commenced construction process in early 2021 entered into peak stage of construction in current period and generated more construction revenue for the six months ended 30 June 2022 as compared with that of the previous corresponding period.

## **Others**

The Group recorded an increase in revenue from the others segment, from RMB15.4 million for the six months ended 30 June 2021 to RMB17.0 million for the six months ended 30 June 2022, representing an increase of 10.4% or RMB1.6 million. This was mainly due to increase in number of contract of other projects 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 decreased by 2.7% or RMB21.8 million from RMB797.0 million for the six months ended 30 June 2021 to RMB775.2 million for the six months ended 30 June 2022. Generally, the fluctuation in cost of service rendered was in line with the fluctuation in revenue for the period.

## **Gross profit and gross profit margin**

The Group's gross profit decreased by 25.6% or RMB20.2 million from RMB79.0 million for the six months ended 30 June 2021 to RMB58.8 million for the six months ended 30 June 2022. Gross profit margin of the Group decreased from 9.0% for the six months ended 30 June 2021 to 7.0% for the six months ended 30 June 2022. The decrease in gross profit was mainly due to the increase in proportion of revenue contributed by building works segment of which the gross profit margin is relatively lower.

## **Administrative and other operating expenses**

The Group's administrative expenses slightly increased by 0.6% or RMB0.2 million from RMB32.7 million for the six months ended 30 June 2021 to RMB32.9 million for the six months ended 30 June 2022.

## **Finance costs**

The Group's finance costs decreased by 28.0% or RMB4.7 million from RMB16.8 million for the six months ended 30 June 2021 to RMB12.1 million for the six months ended 30 June 2022, which was mainly due to decrease in average monthly bank borrowing balances and interest rate.

## **Income tax expense**

The Group's income tax expense decreased by 48.5% or RMB1.6 million from RMB3.3 million for the six months ended 30 June 2021 to RMB1.7 million for the six months ended 30 June 2022, which was mainly due to the decrease in taxable profit.



## LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Cash and cash equivalents (RMB'000)	243,884	309,791
Current ratio	1.7	1.7
Gearing ratio	0.8	0.8

As at 30 June 2022, 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 2022, 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 2022, the Group incurred capital expenditures totalling RMB1,280,000 in relation to property, plant and equipment and intangible assets.

### Material acquisition and disposal of subsidiaries, associates and joint ventures

Pursuant to an agreement dated 14 March 2022 entered into between a wholly-owned subsidiary of the Group, Ningbo Chanhigh Small Town Investment Management Limited\* (寧波滄海小鎮投資管理有限責任公司) (“**Chanhigh Small Town**”) and an independent third party, Chanhigh Small Town disposed of 55% interests in a wholly-owned subsidiary, Ningbo Hongyuan Construction Limited\* (寧波弘源建設有限公司) (“**Hongyuan Construction**”) for a total cash consideration of RMB35 million. Hongyuan Construction has a First-Grade General Contractor for Water Works and Hydropower Project qualification license.

### Capital commitments

As at 30 June 2022, 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 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Bank borrowings	<u>690,002</u>	<u>688,796</u>

The average interest rates for bank loans as at 30 June 2022 were 4.63% per annum.

Except as disclosed above, as at 30 June 2022, 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 <sup>(Note 1)</sup>	75.6
Acquisition of or strategic investment in design firm(s) in the Yangtze River Delta possessing qualification in architecture related design	91.4	7.5 <sup>(Note 2)</sup>	83.9
Acquisition or establishment of a new inspection centre accredited with the qualification(s) to carry out inspection, analysis and testing on the incoming materials to be used for construction, and/or inspection and supervision of construction works	7.9	—	7.9
General working capital	20.2	20.2	—
<b>Total</b>	<b>315.3</b>	<b>147.9</b>	<b>167.4</b>

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 2023.

## **INTERIM DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 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 six months ended 30 June 2022, except that chairman of the Board, Mr. Peng Tianbin, did not attend the annual general meeting on 30 June 2022 due to unexpected business engagements.

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 30 June 2022, the Group had 501 full-time employees. Total employee benefits expense incurred for the six months ended 30 June 2022 amounted to RMB18.7 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 2022, 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 2022.

## **REVIEW OF INTERIM RESULTS**

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 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 2022 have also been reviewed by the audit committee of the Company comprising all the independent non-executive Directors, namely Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai. Neither the Company's auditor nor the audit committee of the Company has any disagreement with the accounting policies adopted by the Company.

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

This announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as well as the website of the Company at [www.chanhigh.com.hk](http://www.chanhigh.com.hk). The Company's interim report for the six months ended 30 June 2022 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, 31 August 2022

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

\* *For identification purpose only*