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**CHANHIGH HOLDINGS LIMITED**  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 2017)

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
AND PROPOSED AMENDMENTS TO THE MEMORANDUM AND  
ARTICLES OF ASSOCIATION OF THE COMPANY**

**FINANCIAL HIGHLIGHTS**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>	<b>2,018,348</b>	1,768,762
<b>Gross profit</b>	<b>139,568</b>	154,998
<b>Profit and total comprehensive income for the year</b>	<b>33,099</b>	31,300
<b>Profit/(loss) for the year and total comprehensive income for the year attributable to:</b>		
Owners of the Company	<b>33,173</b>	31,410
Non-controlling interests	<b>(74)</b>	(110)

The board (the “**Board**”) of directors (the “**Directors**”) of Chanhigh Holdings Limited (the “**Company**”), hereby presents the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Year**”) together with the comparative figures for the year ended 31 December 2021, as follows:

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

For the year ended 31 December 2022

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Revenue</b>	4	<b>2,018,348</b>	1,768,762
Cost of sales		<b>(1,870,993)</b>	(1,607,246)
Sales related tax and auxiliary charges		<b>(7,787)</b>	(6,518)
<b>Gross profit</b>		<b>139,568</b>	154,998
Other income, and gains and losses		<b>26,905</b>	9,926
Administrative and other operating expenses		<b>(59,815)</b>	(66,673)
Impairment loss on trade and other receivables and contract assets, net		<b>(32,493)</b>	(29,841)
<b>Profit from operations</b>		<b>74,165</b>	68,410
Finance costs		<b>(23,760)</b>	(28,889)
Share of losses of associates		<b>(3,447)</b>	(127)
<b>Profit before tax</b>		<b>46,958</b>	39,394
Income tax expense	5	<b>(13,859)</b>	(8,094)
<b>Profit and total comprehensive income for the year</b>	6	<b>33,099</b>	31,300
<b>Profit/(loss) for the year and total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>33,173</b>	31,410
Non-controlling interests		<b>(74)</b>	(110)
		<b>33,099</b>	31,300
<b>Earnings per share attributable to owners of the Company</b>			
Basic and diluted (RMB cents per share)	7	<b>5.4</b>	5.1

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		14,630	27,125
Intangible assets		67,805	125,953
Right-of-use assets		–	1,608
Investments in associates		25,181	24
<b>Total non-current assets</b>		<b>107,616</b>	154,710
<b>Current assets</b>			
Inventories		1,353	–
Trade and other receivables	8	739,563	804,956
Contract assets		1,107,154	976,791
Bank and cash balances		332,906	353,751
<b>Total current assets</b>		<b>2,180,976</b>	2,135,498
<b>TOTAL ASSETS</b>		<b>2,288,592</b>	2,290,208
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	9	5,487	5,487
Reserves		934,738	901,565
		940,225	907,052
Non-controlling interests		6,649	6,723
<b>Total equity</b>		<b>946,874</b>	913,775
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		–	638
Borrowings		106,002	104,796
<b>Total non-current liabilities</b>		<b>106,002</b>	105,434
<b>Current liabilities</b>			
Trade and bills payables	10	359,898	329,230
Accruals and other payables		85,110	148,946
Contract liabilities		100,731	84,833
Lease liabilities		–	1,443
Borrowings		560,000	584,000
Current tax liabilities		129,977	122,547
<b>Total current liabilities</b>		<b>1,235,716</b>	1,270,999
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,288,592</b>	2,290,208

## NOTES

### 1. GENERAL INFORMATION

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

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

In the opinion of the Directors, as at 31 December 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 consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2021 except for the adoption of the amendments to IFRSs that are relevant to the Group and effective from the Year as mentioned in Note 3.

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

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

#### 4. REVENUE AND SEGMENT INFORMATION

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

*(i) Information about operating segment profit or loss:*

	<b>Landscape construction</b> <i>RMB'000</i>	<b>Municipal works construction</b> <i>RMB'000</i>	<b>Building works</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>2022</b>					
External revenue	406,734	797,275	775,128	39,211	2,018,348
Segment results	29,154	78,554	23,966	7,894	139,568
Additions to segment non-current assets	—	7,056	—	745	7,801
<b>2021</b>					
External revenue	611,060	570,157	525,588	61,957	1,768,762
Segment results	51,055	66,636	22,288	15,019	154,998
Additions to segment non-current assets	—	6,599	—	3,954	10,553

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Profit and loss</b>		
Total profits of reportable segments	139,568	154,998
Unallocated amounts:		
Interest income	27,397	6,110
Government incentives and awards	1,639	1,938
Depreciation of property, plant and equipment	(2,169)	(3,923)
Depreciation of right-of-use assets	—	(1,015)
Amortisation of intangible assets	(1,972)	(4,404)
Finance costs	(23,760)	(28,889)
Operating lease payments	(1,192)	(2,543)
Net exchange gain/(loss)	439	(173)
Staff costs	(34,643)	(37,420)
Research and development expenditure	(1,447)	(863)
Gain on partial disposal of a subsidiary subsequently as an associate	27	—
Loss on disposal of property, plant and equipment	(6,436)	—
Impairment loss on trade and other receivables and contract assets, net	(32,493)	(29,841)
Others	(18,000)	(14,581)
Consolidated profit before tax	46,958	39,394

*(iii) Geographical information*

Based on the locations of the customers, all revenue is earned in the PRC.

## 5. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – PRC		
Provision for the year	12,161	8,094
Under-provision in prior year	1,698	–
	<u>13,859</u>	<u>8,094</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the Year (2021: Nil).

PRC Enterprise Income Tax (“**PRC EIT**”) has been provided at a rate of 25% (2021: 25%).

For the Year, one of the subsidiaries of the Company, Zhejiang Zhanhai Industrial Company Limited (浙江展海實業有限公司) (“**Zhejiang Zhanhai**”), is qualified as a small and low profit enterprise in the PRC. Zhejiang Zhanhai is assessed the PRC EIT on the following basis: if its annual taxable income is less than RMB1.0 million, the applicable enterprise income tax rate determined by the relevant authority is 5% (2021: 5%); if its annual taxable income is more than RMB1.0 million but less than RMB3.0 million, the applicable enterprise income tax rate is 20% with preferential concession by 50%.

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before tax	46,958	39,394
Tax at the PRC EIT rate of 25% (2021: 25%)	11,739	9,848
Tax effect of different tax rates	(5,684)	(4,975)
Tax effect of income that is not taxable	(2,654)	(2)
Tax effect of expenses that are not deductible	8,760	3,483
Tax effect of using deemed profit method	–	(260)
Under-provision in prior year	1,698	–
Income tax expense	<u>13,859</u>	<u>8,094</u>

## 6. PROFIT FOR THE YEAR

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Auditors' remuneration	<b>1,265</b>	1,230
Amortisation of intangible assets	<b>1,972</b>	4,404
Cost of inventories utilised	<b>5,861</b>	–
Cost of services rendered	<b>1,865,132</b>	1,607,246
Depreciation of property, plant and equipment	<b>2,169</b>	3,923
Depreciation of right-of-use assets	–	1,015
Loss on disposal of property, plant and equipment	<b>6,436</b>	–
Research and development expenditure	<b>1,447</b>	863
Net exchange (gain)/loss	<b>(439)</b>	(173)
Impairment loss on trade and other receivables and contract assets, net	<b>32,493</b>	29,841
Operating lease payments	<b>1,192</b>	2,543
	<b><u>1,192</u></b>	<b><u>2,543</u></b>

Cost of services rendered includes staff costs, depreciation and operating lease payments of approximately RMB346,831,000 for the Year (2021: RMB199,606,000) which are included in the amounts disclosed separately.

## 7. EARNINGS PER SHARE

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<b><u>33,173</u></b>	<u>31,410</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation (thousand shares)	<b><u>618,502</u></b>	<u>618,502</u>

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same. As at 31 December 2022, the Company had no dilutive potential ordinary shares (2021: Nil).

## 8. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Trade and bills receivables</b>		
Trade receivables	325,686	491,518
Allowance for bad and doubtful debts	<u>(79,291)</u>	<u>(42,776)</u>
	<b>246,395</b>	448,742
Bills receivables	7,086	1,008
Allowance for bad and doubtful debts	<u>(639)</u>	<u>(2)</u>
	<b>6,447</b>	1,006
	<b>252,842</b>	449,748
<b>Other receivables</b>		
Construction contracts performance guarantees and deposit for tender	14,180	38,334
Retention receivables	44,574	49,287
Receivables for demolition expenses paid in advance	32,065	32,076
Amount due from an associate	32,903	–
Others	<u>27,955</u>	<u>17,534</u>
	<b>151,677</b>	137,231
Allowance for bad and doubtful debts	<u>(2,865)</u>	<u>(2,675)</u>
	<b>148,812</b>	134,556
<b>Prepayments</b>		
Advance to suppliers	337,909	220,395
Administrative and operating expenses	<u>–</u>	<u>257</u>
	<b>337,909</b>	220,652
	<b>739,563</b>	<b>804,956</b>

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



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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
0 to 90 days	<b>100,407</b>	164,577
91 to 180 days	<b>9,450</b>	92,177
181 to 365 days	<b>47,632</b>	64,053
Over 1 year but less than 2 years	<b>51,116</b>	24,169
Over 2 years but less than 3 years	<b>11,127</b>	59,660
Over 3 years	<b>33,110</b>	45,112
	<b>252,842</b>	449,748

The following table provides information about the subsequent settlement as at 28 February 2023 on trade and bills receivables as at 31 December 2022:

	<b>Gross carrying amount as at 31 December 2022</b> <i>RMB'000</i>	<b>Subsequent settlement up to 28 February 2023</b> <i>RMB'000</i>
Trade and bills receivables:		
0 – 90 days past due	103,126	78,769
91 – 180 days past due	10,189	1,500
181 – 365 days past due	53,810	10,070
Over 1 year but less than 2 years past due	90,409	30,698
Over 2 years but less than 3 years past due	19,617	20
Over 3 years past due	55,621	3,278
	<b>332,772</b>	<b>124,335</b>

## 9. SHARE CAPITAL

	Number of shares '000	Amount	
		HK\$'000	RMB'000
<b>Authorised:</b>			
<i>Ordinary shares of HK\$0.01 per share</i>			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	2,000,000	20,000	17,733
<b>Issued and fully paid:</b>			
<i>Ordinary shares of HK\$0.01 per share</i>			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	618,502	6,185	5,487

## 10. TRADE AND BILLS PAYABLES

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

	2022 RMB'000	2021 RMB'000
0 to 90 days	83,066	85,688
91 to 180 days	67,287	55,683
181 to 365 days	59,680	79,885
Over 1 year but less than 2 years	80,875	39,639
Over 2 years but less than 3 years	19,296	18,821
Over 3 years	49,694	49,514
	<b>359,898</b>	<b>329,230</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

#### INDUSTRY AND BUSINESS REVIEW

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

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

According to the data released by the National Bureau of Statistics in 2022, the total output value of the construction industry in China amounted to RMB31.2 trillion, representing a year-on-year increase of 6.5%. The housing construction area of the national construction industry amounted to 15.6 billion square meters, representing a year-on-year decrease of 0.7%. The incremental value of the construction industry for the full year amounted to RMB8.3383 trillion, representing a year-on-year increase of 5.5%. Under the harsh macroeconomic background, the total output value of the construction industry still maintained a steadily growing trend, and the position of the construction industry in the national economy remained stable and solid.

According to statistics, the profits of the construction enterprises with qualification grades of general contracting and professional contracting were RMB836.9 billion, decreased by 1.2% as compared with the previous year, of which the profit of state-owned holding enterprises amounted to RMB392.2 billion, increased by 8.4%. The number of standalone construction enterprises was 144,000, representing a year-on-year increase of 11.6%. The increase in construction enterprises resulted in intensified market competition, and the industry concentration ratio of the top four leading enterprises (China State Construction Engineering Corporation, China Railway Group Limited, China Railway Construction Corporation, and China Communications Construction Company) in the construction industry increased year by year. In 2021, the concentration level was 28.80%, indicating a significant trend of concentration of leading enterprises in the industry.

In the Year, the number of employees in the construction industry was 51.84 million, representing a year-on-year decrease of 1.9%, and the total investment in real estate for the full year decreased by 10%. Various data of the real estate industry across the nation showed a downward trend. Due to the increasing number of construction enterprises, competition in the industry was intensified. At the same time, affected by the pandemic and the employment environment, the number of employees in the industry decreased year by year. Faced with the problems of hiring employees, the survival environment for small and medium-sized construction enterprises deteriorated. However, since the end of the year, under the easing policy trend after the conclusion of the 20th National Congress of the Communist Party of China, the overall real estate market was expected to show a continuous upward trend.

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

According to the business activity index of the construction industry for the year, the construction industry maintained steady growth and kept on expanding. The business activity index of the construction industry for the month of December was 54.4%, which was 1.0 percentage point lower than that of the preceding month, higher than the threshold, and the overall construction industry kept on growing continuously. Of which the business activity index of the civil engineering construction industry was 57.1%, staying at a relatively high positive range for 11 consecutive months, showing that under the various policy measures that promote significant project construction, the civil engineering construction enterprises maintained a relatively faster progress in construction work. The index of employees in the industry continued to decline in December, labour supply was insufficient under the short-term impact of the pandemic, however, with gradual improvement in the pandemic condition, the future market trend is expected to be warmer.

## **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-term 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. In the short-term, policies may drive accelerated development in prefabricated building, the pace of progress may be higher than expected during the “14th Five-year Plan” period.

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

The 14th Five-Year Plan and the long-term objectives through the year 2035 require the construction of water conservancy infrastructure to be strengthened. The construction of water conservancy works is a great plan for a thousand years by “performing works in the current era for the benefits over a thousand years”. The great national efforts to promote construction of water conservancy infrastructure have stimulated the emergence of new markets. The Group has a number of first-grade qualifications in municipal administration, construction, water conservancy and hydropower, and has the ability to undertake integrated projects of large-scale infrastructural facilities. At the same time, the Group’s wholly-owned subsidiary completed the mixed ownership reform with China Railway First Group Co., Ltd. in April 2022, so as to give full play to the respective advantages of the Group and the state-owned enterprise, and vigorously expand the water conservancy and hydropower market. The industrial development layout of the national two-heavy and one-new industry is highly consistent with each other.

The Group’s technology segment also actively responds to the combination of construction and the new generation of information technology, and has greater competitive advantages in the development of building structure monitoring, water conservancy and hydropower monitoring and other projects. The Group’s business closely follows the market, showing a good trend of better engineering quality, higher technical content and broader business scope.

## **BUSINESS REVIEW**

In the Year, the annual revenue of the Group was approximately RMB2,018.3 million, representing an increase of approximately 14.1% over 2021. The revenue was mainly generated from: i) landscape construction, ii) municipal works construction, iii) building works, and iv) others, and accounted for 20.2%, 39.5%, 38.4% and 1.9%, respectively.

In the Year, Chanhhigh Construction successfully obtained two Grade A supervision qualifications for municipal public works and housing construction engineering, marking a new chapter in engineering consulting management for enterprise qualifications. A supervision team was established to continuously cultivate supervision professionals to provide strong support for the all-round and diversified development of the enterprise, and to fully develop the business of tendering agency, whole-process management and engineering consulting segment. The Group's influence and position in the industry continued to increase. Chanhhigh Construction was awarded the honors of 2020-2021 Ningbo Construction Industry Leading Enterprise, Ningbo Collective Negotiation Demonstration Unit, Ningbo Harmonious Enterprise, Ningbo Top 100 Competitive Enterprises and National Top 50 Landscape Enterprises (No. 18), improved by 2 rankings when compared with the previous year. 18 provincial, municipal and national honors were awarded for a number of high-quality engineering works, including the National Quality Engineering Award, the Landscape Engineering Award of the Chinese Society of Landscape Architecture, and "Safe Work Place Award" of Zhejiang Province Housing Construction and Municipal Infrastructure, the Ningbo Yongjiang Construction Cup, the Ningbo Camellia Cup, the Ningbo Conservation Camellia Cup, and the Ningbo Construction Engineering Outstanding Survey and Design Award. Breakthrough was achieved in the field of survey, design and housing construction. Focusing on the creation of a high-quality project and a standardized work site, close attention was paid to project quality management as well as scientific and technological innovations.

## PROSPECTS

2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China, and it is also a crucial year for concluding experience and inspiring followers under the 14th Five-Year Plan. According to the interpretation of the operating conditions of the national economy for the full year of 2022, despite the complicated and harsh external environment, and the world economy was facing the rising risk of stagflation, China's economy has strong resilience, with great potential, sufficient vitality, and long-term positive fundamentals remain unchanged, with available resources for support. As pandemic prevention and control enter a new stage, various policies have been continuously implemented and refined, the recovery of orderly production and general living has been accelerated. The endogenous momentum of economic growth will continue to accumulate and strengthen. China's economy will improve as a whole in 2023.

The investment growth of the construction industry is mainly based on new infrastructure, and the investment in infrastructure will be further enhanced through intelligent construction and urban digital transformation. The transformation and upgrading of traditional infrastructure such as transportation, energy and water conservancy in China, and the accelerated construction of new infrastructure such as 5G, UHV, inter-city expressway and big data center, will effectively drive the investment growth of the construction industry. Meanwhile, during the 14th Five-Year Plan period, the transformation of old communities will become the focus of urban renewal. Since last year, the government work report and relevant policy documents have put forward clear action guidelines for the transformation of old communities and urban renewal during the 14th Five-Year Plan period. In the 14th Five-Year Plan period, it is required to complete the renovation of 219,000 old communities in cities and towns by the end of 2025, which is expected to drive an investment of over RMB15 trillion.

In the future, the Group will closely follow the national strategic planning and industrial policies, continue to base on traditional infrastructure construction, take water conservancy construction as a new growth point, and take scientific and technological innovation as a breakthrough, to make active investments in new infrastructure. Based on our fundamentals, driving momentum of policies and the multiple development opportunities of "Building+" and "Smart Building", we continue to build the dream constructions of Chanhigh and will create a new chapter in the future.

## FINANCIAL REVIEW

### Revenue

Revenue of the Group increased by 14.1% or RMB249.5 million from RMB1,768.8 million for last year to RMB2,018.3 million for the Year. This is mainly due to the fact that for the Year the increase in revenue of municipal works construction segment and building works segment offset the decrease in revenue of landscape construction segment and led to the increase in the Group's total revenue.

The revenue recognised during the Year for projects completed during the Year and in progress as at 31 December 2022 as compared with that of last year is tabulated as follows:

Business segments	Revenue <i>RMB'000</i>	2022	No. of	Revenue <i>RMB'000</i>	2021	No. of
		No. of projects completed during the year	projects in progress as at the year end		No. of projects completed during the year	No. of projects in progress as at the year end
Landscape construction	406,734	43	77	611,060	40	61
Municipal works construction	797,275	37	46	570,157	53	77
Building works	775,128	12	20	525,588	18	23
Others	39,211	16	27	61,957	13	23
Total	<u>2,018,348</u>	<u>108</u>	<u>170</u>	<u>1,768,762</u>	<u>124</u>	<u>184</u>

As compared with that of last year, the revenue for the Year increased by 14.1% while the overall number of projects for the Years decreased by 9.7%. The increase in revenue was mainly contributed by (i) municipal works construction segment of which the revenue and number of projects for the Year increased by 39.8% or RMB227.1 million and decreased by 36.2% respectively as a result of increase in average contract value; and (ii) building works segment of which the revenue and number of projects for the Year increased by 47.5% or RMB249.5 million and decreased by 22.0% respectively as a result of increase in average contract value. For the Year, landscape construction segment recorded a decrease in revenue by 33.4% or RMB204.4 million and an increase in number of projects by 18.8% as a result of decrease in average contract value.

## **Landscape construction**

The Group recorded a decrease in revenue from the landscape construction segment, from RMB611.1 million for last year to RMB406.7 million for the Year, representing a decrease of 33.4% or RMB204.4 million. As mentioned above, the decrease was mainly due to decrease in average contract value for the Year as compared with that of last year.

## **Municipal works construction**

The Group recorded an increase in revenue from the municipal works construction segment, from RMB570.2 million for last year to RMB797.3 million for the Year, representing an increase of 39.8% or RMB227.1 million. As mentioned above, the increase was mainly due to increase in average contract value for the Year as compared with that of last year.

## **Building works**

The Group recorded an increase in revenue from the building works segment, from RMB525.6 million for last year to RMB775.1 million for the Year, representing an increase of 47.5% or RMB249.5 million. As mentioned above, the increase was mainly due to increase in average contract value for the Year as compared with that of last year.

## **Others**

The Group recorded a decrease in revenue from the others segment, from RMB62.0 million for last year to RMB39.2 million for the Year, representing a decrease of 36.8% or RMB22.8 million. The increase was mainly due to the decrease in average contract value for the Year as compared with that of last year.

## **Cost of sales**

Cost of sales increased by 16.4% or RMB263.8 million from RMB1,607.2 million for last year to RMB1,871.0 million for the Year. Generally, the increase in cost of sales was in line with the increase in revenue for the Year.

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

As cost of sales increased by 16.4% while revenue increased by only 14.1% for the Year, the Group's gross profit decreased by 9.9% or RMB15.4 million from RMB155.0 million for last year to RMB139.6 million for the Year. Gross profit margin of the Group decreased from 8.8% for last year to 6.9% for the Year because of (i) the increase in proportion of revenue contributed by building works segment for the Year, which is in general with a lower profit margin as compared with other segments; and (ii) the decrease in proportion of revenue contributed by landscape construction segment for the Year, which is in general with a higher profit margin as compared with other segments.



## Other income, and gains and losses

Other income, and gains and losses increased by 171.7% or RMB17.0 million from RMB9.9 million for last year to RMB26.9 million for the Year. The increase was mainly due to increase in interest income arising from contract revenue.

## Administrative and other operating expenses

The Group's administrative expenses decreased by 10.3% or RMB6.9 million from RMB66.7 million for last year to RMB59.8 million for the Year, which was mainly due to cost control policies imposed by management.

## Finance costs

The Group's finance costs decreased by 17.6% or RMB5.1 million from RMB28.9 million for last year to RMB23.8 million for the Year, which was mainly due to less bank borrowings and decrease in interest rate.

## Income tax expense

The Group's income tax expense increased by 71.6% or RMB5.8 million from RMB8.1 million for last year to RMB13.9 million for the Year, which was mainly due to the increase in taxable profit as a result of cost saving.

## LIQUIDITY AND CAPITAL RESOURCES

	2022	2021
Cash and cash equivalents (excluding deposits with initial term of over three months) (RMB'000)	<b>262,990</b>	309,791
Current ratio	<b>1.8</b>	1.7
Gearing ratio	<b>0.7</b>	0.8

As at 31 December 2022, the Group's current ratio (based on the total current assets as at the respective year ends divided by the total current liabilities as at the respective year ends) was 1.8.

As at 31 December 2022, the Group's gearing ratio (based on the total debts as at the respective year ends divided by total equity as at the respective year ends) was 0.7.

## CAPITAL EXPENDITURES AND COMMITMENTS

### Capital expenditures

For the Year, the Group incurred capital expenditures totalling RMB7.8 million 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 31 December 2022, the Group had no significant capital commitments.

## INDEBTEDNESS

### Borrowings

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

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Bank borrowings	<u>666,002</u>	<u>688,796</u>

The average interest rate for bank loans as at 31 December 2022 was 4.41% per annum.

Except as disclosed above, as at 31 December 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:

	<b>Adjusted allocation of use of proceeds (HK\$ million)</b>	<b>Utilised amount up to the date of this announcement (HK\$ million)</b>	<b>Remaining amount as at the date of this announcement (HK\$ million)</b>
Acquisition of construction companies possessing first-grade 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 architectural design firm(s) in the Yangtze River Delta possessing first-grade qualification in architectural 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:

1. The Group acquired several construction licenses including a First-Grade General Contractor for Water Works and Hydropower Projects Qualification, a Second-Grade General Contractor for Highway Construction Projects Qualification along with a Second-Grade General Contractor for Water Works and Hydropower Projects Qualification and a First-Grade General Contractor for Housing Construction Projects Qualification in the PRC at a consideration of RMB76,000,000, RMB13,600,000 and RMB13,500,000 respectively, totaling RMB103.1 million (HK\$120.2 million).
2. The Group acquired an A-Grade Landscape Construction Design Qualification with a consideration of RMB6.7 million (HK\$7.5 million).

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

## **FINAL DIVIDENDS**

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

## **NO MATERIAL CHANGE**

During the Year, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 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 Year, except that the Director, Mr. Peng Tianbin (chairman of the Board and chairman of the Strategy Committee), did not attend the annual general meeting on 30 June 2022 due to unexpected business engagements.

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

For the Year, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company is tentatively scheduled to be held on Thursday, 15 June 2023. Notice of the annual general meeting will be published and issued to shareholders in due course.

## **PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY**

The Board proposed to amend and restate the existing memorandum and articles of association of the Company (“Memorandum and Articles”) for the purposes of, among others, aligning the Memorandum and Articles with the legal and regulatory requirements, including the applicable laws of the Cayman Islands and the amendments made to Appendix 3, in respect to a uniform set of 14 “Core Standards” for the shareholder protections, to Listing Rules which took effect on 1 January 2022.

Other house-keeping amendments to the Memorandum and Articles are also proposed for the purpose of clarifying existing practices and making consequential amendments in line with the amendments to the Memorandum and Articles (collectively, the “Amendments”). Details of the proposed Amendments will be set out in the circular to be dispatched to the Shareholders in due course. After the proposed amendments to the Memorandum and Articles come into effect, the full text of the new set of Memorandum and Articles will be published on the websites of the Company and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

The proposed Amendments are subjected to the approval of the shareholders by way of a special resolution (“Special Resolution”) at the upcoming annual general meeting, with the amendments to take effect when the proposed Amendments become effective at the annual general meeting. Prior to the passing of the Special Resolution, the existing Memorandum and Articles shall remain valid.

A circular of the annual general meeting of the Company containing, inter alia, full details of the proposed Amendments to the Memorandum and Articles, together with a notice of the annual general meeting of the Company and the related proxy form, will be dispatched to the shareholders of the Company in due course.

### **BOOK CLOSURE**

The transfer books and register of members of the Company will be closed from Thursday, 8 June 2023 to Thursday, 15 June 2023, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrars and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 7 June 2023.

### **AUDIT COMMITTEE**

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

## **FINANCIAL INFORMATION**

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

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](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 annual report for the Year will be despatched to shareholders of the Company and published on the aforementioned websites in due course.

## **APPRECIATION**

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

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

Hong Kong, 30 March 2023

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