CHANHIGH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2017)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	2018	2017
	RMB'000	RMB'000
Revenue	**733,430**	1,144,539
Gross profit	**83,540**	182,047
Profit for the year	**17,064**	80,328
Profit and total comprehensive income for the year attributable to:		
Owners of the Company	**17,046**	80,328
Non-controlling interests	**18**	—

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 2018 together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	**2018** *RMB'000*	2017 *RMB'000*
Revenue	4	**733,430**	1,144,539
Cost of services rendered		**(645,383)**	(956,924)
Sales related tax and auxiliary charges		**(4,507)**	(5,568)
Gross profit		**83,540**	182,047
Other income and gains		**13,161**	10,129
Administrative and other operating expenses		**(61,840)**	(57,305)
Reversal of impairment loss/(impairment loss) on trade and other receivables and contract assets, net		**3,445**	(11,393)
Profit from operations		**38,306**	123,478
Finance costs		**(10,495)**	(3,627)
Profit before tax		**27,811**	119,851
Income tax expense	5	**(10,747)**	(39,523)
Profit for the year	6	**17,064**	80,328
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**17,064**	80,328
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**17,046**	80,328
Non-controlling interests		**18**	—
		17,064	80,328
Earnings per share			
Basic and diluted **(RMB cents per share)**	8	**2.8**	13.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	**2018** *RMB'000*	**2017** *RMB'000*
Non-current assets			
Property, plant and equipment		**9,073**	7,834
Intangible assets		**99,833**	—
Available-for-sale financial assets		**—**	13
Total non-current assets		**108,906**	7,847
Current assets			
Trade and other receivables	9	**651,914**	701,129
Contract assets	10	**824,942**	—
Gross amount due from customers for contract work	10	**—**	868,377
Bank and cash equivalents		**280,086**	375,852
Total current assets		**1,756,942**	1,945,358
TOTAL ASSETS		**1,865,848**	1,953,205
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	11	**5,487**	5,487
Reserves		**805,895**	798,281
		811,382	803,768
Non-controlling interests		**7,124**	—
Total equity		**818,506**	803,768
Non-current liabilities			
Borrowings		**45,102**	—
Total non-current liabilities		**45,102**	—
Current liabilities			
Trade payables	12	**410,126**	824,213
Accruals and other payables		**88,436**	80,648
Receipts in advance	10	**—**	18,270
Contract liabilities	10	**62,346**	—
Gross amount due to customers for contract work	10	**—**	16,079
Borrowings		**337,085**	111,000
Current tax liabilities		**104,247**	99,227
Total current liabilities		**1,002,240**	1,149,437
TOTAL EQUITY AND LIABILITIES		**1,865,848**	1,953,205

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 municipal work and landscape construction and related services.

In the opinion of the Directors, as at 31 December 2018, the Peng Family, comprising Mr. Peng Daosheng, Ms. Wang Sufen, Mr. Peng Tianbin and Mr. Peng Yonghui, is the ultimate controlling party (the "**Controlling Shareholders**") 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 and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The IASB has issued a number of new and revised IFRSs that are effective for annual periods accounting year beginning on 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) IFRS 9 Financial Instruments; and

(ii) IFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

The adoption of IFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("**FVTOCI**") or fair value through profit or loss ("**FVTPL**"), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognsied in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of IFRS 9 on the Group.

The following table summaries the impact on the Group's opening retained earnings as at 1 January 2018 is as follows:

	Note	*RMB'000*
Increase in impairment losses for:		
– trade and bills receivables, other receivables and contract assets	(ii)	(5,941)
Attributable to owners of the Company		(5,941)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Note	**Classification under IAS 39**	**Classification under IFRS 9**	**Carrying amount under IAS 39**	**Carrying amount under IFRS 9**
				RMB'000	RMB'000
Equity investment	(i)	Available-for-sale	FVTOCI	13	13
Trade and other receivables	(ii)	Loans and receivables	Amortised cost	701,129	697,841

(i) This equity investment represents investment that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated this investment at the date of initial application as measured at FVTOCI. As a result, assets with a fair value of RMB13,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI with no fair value gain. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(ii) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of RMB3,288,000 and RMB2,653,000 in the allowance for impairment over these receivables and contract assets respectively was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

For assets in scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9 impairment model requirements at 1 January 2018 results in an additional impairment allowance as follows:

	Note	**Trade and bills receivables** *RMB'000*	**Other receivables** *RMB'000*	**Contract assets** *RMB'000*
Impairment allowance at 31 December 2017 under IAS 39		11,037	1,396	–
Additional impairment recognised at 1 January 2018	(ii)	3,302	(14)	2,653
Impairment allowance at 1 January 2018 under IFRS 9		14,339	1,382	2,653

Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss. As a result, the Group reclassified reversal of impairment losses amounting to RMB200,000 and impairment losses amounting to RMB11,393,000 recognised under IAS 39, from "other income and gains" and "administrative and other opening expenses" respectively to "(reversal of impairment loss)/impairment loss on trade and other receivables and contract assets, net" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognsied. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

The adoption of IFRS 15 resulted in the following changes to the Group's accounting policies.

The adoption of IFRS 15 does not have a significant impact on how the Group recognises revenue from construction contracts.

(i) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less. The Group's revenue from construction contracts has been adjusted for the significant financing component in construction contracts with customers when the period between the recognition of revenue under the cost-to-cost method and the milestone payment is expected to be more than one year.

Previously, the Group did not apply this policy when payments were significantly deferred. Nor the Group apply such a policy when payments were received in advance, which was not common in the Group's arrangements with its customers.

Set out below is the impact of the adoption of IFRS 15 on the Group.

The following table summaries the impact on the Group's opening retained earnings as at 1 January 2018 is as follows:

	RMB'000
Adjustment for the significant financing components	(4,655)
Related tax	1,164
Adjustment to retained earnings from adoption of IFRS 15 on 1 January 2018	(3,491)
Attributable to owners of the Company	(3,491)

The following tables summarise the estimated impact of adoption of IFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under IFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under IAS 18 and IAS 11 if those superseded standards had continued to apply to 2018 instead of IFRS 15. These tables show only those line items impacted by the adoption of IFRS 15:

As at 31 December 2018	*Note*	**Amounts reported in accordance with IFRS 15** *RMB'000*	**Hypothetical amounts under IAS 18 and 11** *RMB'000*	**Estimated impact of adoption of IFRS 15** *RMB'000*
Consolidated statement of financial position (extract)				
Gross amount due from contract customers	(i)	—	834,555	834,555
Contract assets	(i) (ii)	824,942	(834,555)	(9,613)
Receipts in advance	(i)	—	29,404	29,404
Gross amount due to contract customers	(i)	—	32,942	32,942
Contract liabilities	(i)	62,346	(62,346)	—
For the year ended 31 December 2018				
Consolidated statement of profit or loss (extract)				
Revenue	(ii)	733,430	738,388	(4,958)
Income tax expense	(ii)	(10,747)	(11,986)	1,239

(i) Reclassifications were made as at 1 January 2018 to be consistent with the terminology under IFRS 15:

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under "Gross amounts due from customers for contract work" and "Gross amount due to customers of contract work", and construction cost incurred related to future activities on the contract, which mainly include materials that have been delivered to a contract site for use in a contract but not yet installed, used or applied during contract performance, are recognised as "Gross amount due from customers for contract work". To reflect these changes in presentation, the Group has made the following reclassification adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

Contract assets recognised in relation to construction were previously presented as "Gross amount due from customers for contract work".

Contract liabilities for progress billing recognised in relation to construction were previously presented as "Gross amount due to customers for contract work".

(ii) Previously, the Group has not recorded the significant financing component of the contract. The Group adopted IFRS 15 from 1 January 2018 and the Group's revenue from construction contracts with customers has been adjusted for the significant financing component.

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the revenue derives from construction contracts over time for the year.

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11.

(i) Information about operating segment profit or loss:

	Landscape construction RMB'000	**Municipal works RMB'000**	**Building works RMB'000**	**Others RMB'000**	**Total RMB'000**
2018					
External revenue	**278,636**	**266,952**	**163,834**	**24,008**	**733,430**
Segment results	**30,830**	**39,052**	**10,444**	**3,214**	**83,540**
2017					
External revenue	351,455	475,432	241,709	75,943	1,144,539
Segment results	65,973	67,695	36,658	11,721	182,047

(ii) Reconciliation of operating segment profit or loss:

	2018	2017
	RMB'000	RMB'000
Profit and loss		
Total profits of reportable segments	**83,540**	182,047
Elimination of intersegment profits	**—**	—
Unallocated amounts:		
Interest income	**2,661**	3,668
Government subsidy, incentives and awards	**7,234**	6,385
Depreciation	**(1,291)**	(661)
Amortisation of intangible assets	**(3,267)**	—
Finance costs	**(10,495)**	(3,627)
Operating lease charges	**(3,239)**	(2,510)
Net exchange gain/(loss)	**2,974**	(4,665)
Staff costs	**(30,700)**	(21,959)
Listing expenses	**—**	(6,179)
Bad debts	**(161)**	(733)
Reversal of impairment loss/(impairment loss) on trade and other receivables and contract assets, net	**3,445**	(11,393)
Others	**(22,890)**	(20,522)
Consolidated profit before tax	**27,811**	119,851

(iii) Geographical information

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

5. INCOME TAX EXPENSE

	2018	2017
	RMB'000	RMB'000
Current tax - PRC		
Provision for the year	**10,747**	39,523

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2017: Nil).

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.

As at 31 December 2018, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately RMB17,557,000 (2017: RMB16,429,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing for reversal of the temporary differences and it is probable that such differences will not reverse in foreseeable future.

PRC Enterprise Income Tax ("**PRC EIT**") has been provided at a rate of 25% (2017: 25%) by all the PRC subsidiaries.

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

	2018	2017
	RMB'000	RMB'000
Profit before tax	**27,811**	119,851
Tax at the EIT of 25% (2017: 25%)	**6,953**	29,963
Tax effect of income that is not taxable	**(1,636)**	(61)
Tax effect of expenses that are not deductible	**5,430**	9,621
Income tax expense	**10,747**	39,523

6. PROFIT FOR THE YEAR

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

	2018	2017
	RMB'000	RMB'000
Auditors' remuneration	**1,265**	1,318
Amortisation of intangible assets	**3,267**	—
Cost of services rendered	**645,383**	956,924
Bad debts written off	**161**	733
Depreciation of property, plant and equipment	**1,291**	661
Listing expenses	**—**	6,179
Loss on disposal of property, plant and equipment	**167**	—
Net exchange (gain)/loss	**(2,974)**	4,665
(Reversal of impairment loss)/impairment loss on trade and other receivables and contract assets, net	**(3,445)**	11,393
Operating lease charges - land and buildings	**3,239**	2,510

Cost of services rendered includes staff costs and depreciation of approximately RMB9,120,000 for the year ended 31 December 2018 (2017: RMB10,508,000) which are included in the amounts disclosed separately.

7. DIVIDEND

The Directors did not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

8. EARNINGS PER SHARE

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

	2018	2017
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**17,046**	80,328
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation (thousand shares)	**618,502**	576,097

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for 2017 has been adjusted for the effect of the capitalisation issue as more fully explained in note 11.

9. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade and bills receivables		
Trade receivables	**455,190**	510,331
Allowance for bad and doubtful debts	**(10,308)**	(11,037)
	444,882	499,294
Bills receivables	**3,963**	1,910
Allowance for bad and doubtful debts	**(59)**	—
	3,904	1,910
	448,786	501,204
Other receivables		
Construction contracts performance guarantees and deposit for tender	**89,793**	119,611
Retentions receivables (note 1)	**52,656**	62,584
Others	**2,981**	4,472
	145,430	186,667
Allowance for bad and doubtful debts	**(2,404)**	(1,396)
	143,026	185,271
Prepayments and deposits	**60,102**	14,654
	651,914	701,129

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 follows:

	2018 RMB'000	2017 RMB'000
0 to 90 days	**121,754**	110,117
91 to 180 days	**43,249**	56,909
181 to 365 days	**69,408**	142,780
Over 1 year but less than 2 years	**98,076**	93,014
Over 2 years but less than 3 years	**58,360**	51,524
Over 3 years	**57,939**	46,860
	448,786	501,204

Note:

1. The aging analysis of retention receivables past due but not impaired are as follows:

	2018	2017
	RMB'000	RMB'000
Not yet due	**17,295**	20,661
Within 1 year	**3,663**	26,424
Over 1 year but less than 2 years	**27,262**	15,499
Over 2 years but less than 3 years	**4,436**	—
	52,656	62,584

10. CONTRACT ASSETS/CONTRACT LIABILITIES (2017: GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK)

	2017
	RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	5,143,464
Less: Progress billings	(4,291,166)
	852,298
Gross amount due from customers for contract work	868,377
Gross amount due to customers for contract work	(16,079)
	852,298

Upon the adoption of IFRS 15, amounts previously included as "Gross amount due from customers for contract work" and "Gross amount due to customers for contract work" were reclassified to contract assets and contract liabilities respectively.

Contract assets	**31 December 2018**	**1 January 2018**	**31 December 2017**
	RMB'000	*RMB'000* *(restated)*	*RMB'000*
Arising from performance under			
– construction contracts	834,650	867,081	—
– maintenance services	2,064	1,296	—
	836,714	868,377	—
Adjustment for significant financing components	(9,613)	(4,655)	—
Allowance for impairment loss	(2,159)	(2,653)	—
	824,942	861,069	—
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables"	498,878	563,232	

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. Payment for maintenance services is not due from the customer until the maintenance services are complete and therefore a contract asset is recognised over the period in which the maintenance services are performed to represent the entity's right to consideration for the services transferred to date.

There were no significant changes in the contract assets balances during the reporting period.

No revenue is recognised during the year from performance obligations satisfied (or partially satisfied) in previous period.

The amount of contract assets that is expected to be recovered after more than one year is about RMB51.0 million (2017: RMB47.9 million).

Contract liabilities	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	
Billings in advance of performance obligation			
– construction contracts	61,894	33,735	—
– maintenance services	452	614	—
	62,346	34,349	—

Contract liabilities relating to construction contracts/maintenance services are balances due to customers under construction contracts/maintenance services. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

There were no significant changes in the contract liabilities balances during the reporting period.

Movements in contract liabilities:

	RMB'000
Balance at 31 December 2017	16,079
Re-classification of receipts in advance upon adoption of IFRS 15	18,270
Balance at 1 January 2018	34,349
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(32,112)
Increase in contract liabilities as a result of billing in advance of construction activities/maintenance services	60,109
Balance at 31 December 2018	62,346

No billings in advance of performance received that is expected to be recognised as income after more than one year (2017: Nil).

11. SHARE CAPITAL

	Note	Number of shares '000	Amount HK$'000	RMB'000
Authorised:				
Ordinary shares of HK$0.01 per share				
At 1 January 2017		38,000	380	317
Increase of authorised share capital	(a)	1,962,000	19,620	17,416
At 31 December 2017, 1 January 2018 and 31 December 2018		2,000,000	20,000	17,733
Issued and fully paid:				
Ordinary shares of HK$0.01 per share				
At 1 January 2017		2	—	—
Issue of shares for capitalisation of amount due to a director	(a)	2	—	—
Share capitalisation	(b)	449,996	4,500	3,994
Global offering of shares	(c)	150,000	1,500	1,329
Issue of shares	(d)	18,502	185	164
At 31 December 2017, 1 January 2018 and 31 December 2018		618,502	6,185	5,487

Note:

(a) On 15 March 2017, pursuant to a resolution passed by the directors of the Company to capitalise the amount due to a director amounted to approximately RMB159,370,000 by allotting and issuing 1,000 ordinary shares to Vast Base Investments Limited ("**Vast Base**") and 1,000 ordinary shares to TEUR Holdings Limited ("**TEUR**") credited as fully paid.

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

(b) Pursuant to written resolutions passed on 15 March 2017, the shareholders of the Company approved that an amount of HK$4,499,960 was capitalised from the share premium account of the Company and applied in paying up in full for allotment and issue to each of Vast Base and TEUR 224,998,000 ordinary shares respectively.

(c) On 30 March 2017, 150,000,000 ordinary shares of HK$0.01 each of the Company (the "**New Shares**") were issued at HK$2.17 per share as a result of the global offering of shares of the Company. The premium on the issue of 150,000,000 New Shares, net of listing related expenses, amounting to approximately RMB267,665,000 was credited to the Company's share premium account. These 150,000,000 New Shares were fully paid-up, rank pari passu in all respects with the existing issued and fully paid-up shares of the Company.

(d) On 21 April 2017, the over-allotment option described in the prospectus published by the Company on 21 March 2017 was exercised and, 18,502,000 additional New Shares, were issued and allotted by the Company on 26 April 2017 at HK$2.17 per share. The premium on the issue of shares, net of issue costs, amounting to approximately RMB34,325,000 was credited to the Company's share premium account.

12. TRADE PAYABLES

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

	2018	2017
	RMB'000	RMB'000
0 to 90 days	**76,488**	75,802
91 to 180 days	**10,614**	14,508
181 to 365 days	**28,999**	212,660
Over 1 year but less than 2 years	**121,703**	260,930
Over 2 years but less than 3 years	**96,931**	223,132
Over 3 years	**75,391**	37,181
	410,126	824,213

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

In 2018, the PRC's macroeconomic environment was subject to various changes and the condition was complicated and challenging, and the economic growth was under downward pressure. Market competition of the industry was fierce because the impact of the past and new policies continued to realize and manifest and the industry was under cyclical adjustment. Coupled with the unfavorable condition of the global economy and macro-adjustment measures, structural adjustment, market consolidation, and local government debts of the PRC, the industry was generally negatively affected. Following the nationwide cancellation of the qualification for urban landscaping enterprises in 2017, the lowered entry barrier increased the competition for urban landscaping projects. In order to minimize the impact of cancellation of the qualification for urban landscaping, the Company acquired a company holding a First-Grade General Contractor for Water Works and Hydropower Projects Qualification (水利水電工程施工總承包壹級資質) in early 2018. Such an acquisition optimized the Group's qualification portfolio and enable the Group to participate in bidding for tenders for specific municipal projects in relation to water works, e.g. water utility and drainage constructions. Meanwhile, measures were undertaken by the Central Government to intensify its deleveraging efforts to ease the debt burden of local governments, such as the implementation of regulations that prohibit commercial banks and trusts from financing local governments. Under the guideline of "structural deleveraging" proposed by the Central Financial and Economic Affairs Commission (中央財經委員會) in April 2018, the central ministries and commissions such as the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council and Central Bank issued Notice on Regulating Issues against Financial Behaviors of Local Governments and State-Owned Enterprises by Financial Enterprises (Cai Jin [2018] No. 23) (《關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知》(財金[2018]23號)) and Guidance on Regulating the Asset Management Business of Financial Institutions (Yin Fa [2018] No. 106) (《關於規範金融機構資產管理業務的指導意見》(銀發[2018]106號)) to limit the local governments' financing ability. The local governments' financing ability was lowered and they were reluctant to commence infrastructure construction plans. Therefore, commencements of many government projects were delayed in the short run. These resulted in drop in both number and contract sum of new projects. The Ministry of Finance issued the Notice on Rectifying the Management of PPP Integrated Information Platform of the Government and Social Capital Cooperation (Cai Ban Jin [2017] No. 92) (《關於規範政府和社會資本合作(PPP)綜合信息平台項目庫管理的通知》(財辦金[2017]92號)) in November 2017, and the Notice on Further Rectifying the Management of PPP Demonstration Projects of the Government and Social Capital Cooperation (Cai Jin [2018] No. 54) (《關於進一步加強政府和社會資本合作(PPP)示範項目規範管理的通知》(財金[2018]54號)) to tighten the criteria of new PPP projects and to eliminate unqualified PPP projects. As a result, certain PPP projects were subsequently aborted or suspended. This also caused the local governments to become reluctant to commence the approval process of new PPP projects, among which the Group might be qualified for tendering. In addition, after the continuous rapid growth of infrastructure investment for years since the "Reform and Opening up", substantial progress in infrastructure constructions and establishments can be seen over the country. With the improvement of people's living conditions, demand for infrastructure investment has gradually changed from quantitative to qualitative, thus the operating costs of the business increase year by year.

PROSPECTS

In 2018, the government convened the National Conference on Ecological and Environmental Protection and the scale of the conference is unprecedented. As the importance of ecological construction has been strongly emphasized again, there will be long-term demand for the industry. At the same time, the "Strategic Plan for Rural Revitalization (2018 – 2022)" was issued and it contained a series of major projects, plans and activities. Such plan created a huge room for the development of the landscaping and ecological protection industry, which will accelerate the rolling out of the landscaping projects and promote the sustainable development of the industry. Among these changes and developments, the Company will seek for business opportunities, expand market penetration and create value for shareholders.

Looking ahead, the Company intends to implement the following strategies to further strengthen its core competitive edges, improve efficiency, strive to perfect its existing projects, and grasp the business opportunities in the future:

- to generate more revenue and minimize expenditures, expand business scale and realize growth in turnover;
- to continue to optimize the Group's qualification portfolio, further acquire relevant qualifications to extend business coverage to related areas and build a more cohesive industry chain while recruit more talents and retain competent staff;
- to proactively seek for emerging areas which require the Group's services and turn them into future growth engines;
- to reinforce brand building, strictly maintain quality of the Group's works and projects, continue to accomplish more premium projects, and take these premium projects as a springboard for new business expansion;
- to strengthen risk control and legal compliance and build an effective risk control system to maintain "safe and efficient" operation.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by 35.9% or RMB411.1 million from RMB1,144.5 million for the year ended 31 December 2017 to RMB733.4 million for the year ended 31 December 2018, which was primarily due to the deterioration of the results of major business segments of the Group which was in turn caused by (i) the decrease in the total number of projects during the year ended 31 December 2018; and (ii) certain contracts with high contract value had been substantially completed in 2017 as a result of which the revenue contributed by these high value contracts significantly decreased in 2018 as compared with that of 2017.

The revenue recognised during the year for the projects completed during the year ended 31 December 2018 and in progress as at the end of 2018 as compared with that of the previous year is tabulated as follows:

	2018			2017		
Business segments	**Revenue**	**No. of projects completed during the year**	**No. of projects in progress as at the year end**	**Revenue**	**No. of projects completed during the year**	**No. of projects in progress as at the year end**
	RMB'000			*RMB'000*		
Landscape construction	278,636	18	36	351,455	11	49
Municipal works construction	266,952	17	41	475,432	17	54
Building works	163,834	6	18	241,709	5	23
Others	24,008	17	15	75,943	15	21
Total	733,430	58	110	1,144,539	48	147

Decrease in the total number of projects during the year ended 31 December 2018 was mainly attributable to the following reasons:

- the progress of certain construction projects fell behind schedule, and the principal reasons for which include: (i) delay in local government's relocation schedule; (ii) change in project design; or (iii) change in local government's overall implementation plan due to financial or administrative reasons. Owing to the delay in those projects, recognition of revenue was postponed;
- as stated in the paragraph headed "Industry and Business Review" in this section, the nationwide cancellation of the qualification for urban landscaping enterprises in 2017 and the lowering of the entry barrier had increased the competition for urban landscaping projects; and

- as stated in the paragraph headed "Industry and Business Review" in this section, certain changes in government policies made by the Central Government during 2017 and 2018 adversely affected the construction market, especially government-related projects. As a result, the Company decided to terminate negotiation of certain PPP projects in Yunnan Province, Guizhou Province and Xinjiang Uygur Autonomous Region.

Landscape construction

The Group recorded a decrease in revenue from the landscape construction segment, from RMB351.5 million for the year ended 31 December 2017 to RMB278.6 million for the year ended 31 December 2018, representing a decrease of 20.7% or RMB72.9 million. The decrease was primarily attributable to (i) the decrease in the total number of landscape construction projects for year ended 31 December 2018 as compared with that of 2017; (ii) certain contracts with high contract value had been substantially completed in 2017 as a result of which the revenue contributed by these high value contracts significantly decreased in 2018 as compared with that of 2017.

Municipal works construction

The Group recorded a decrease in revenue from the municipal works construction segment, from RMB475.4 million for the year ended 31 December 2017 to RMB267.0 million for the year ended 31 December 2018, representing a decrease of 43.9% or RMB208.4 million. The decrease was primarily attributable to (i) the decrease in the total number of municipal works construction projects of the year ended 31 December 2018 as compared with that of 2017; and (ii) certain contracts with high contract value had been substantially completed in 2017 as a result of which the revenue contributed by these high value contracts significantly decreased in 2018 as compared with that of 2017.

Building works

The Group recorded a decrease in revenue from the building works segment, from RMB241.7 million for the year ended 31 December 2017 to RMB163.8 million for the year ended 31 December 2018, representing a decrease of 32.2% or RMB77.9 million. The decrease was primarily attributable to (i) the decrease in the total number of building works projects of the year ended 31 December 2018 as compared with that of 2017; and (ii) certain contracts with high contract value had been substantially completed in 2017 as a result of which the revenue contributed by these high value contracts significantly decreased in 2018 as compared with that of 2017.

Others

The Group recorded a substantial decrease in revenue from the others segment, from RMB75.9 million for the year ended 31 December 2017 to RMB24.0 million for the year ended 31 December 2018, representing a decrease of 68.4% or RMB51.9 million. The decrease was primarily attributable to the decrease in the total number of other projects of the year ended 31 December 2018 as compared with that of the previous year.

Cost of services rendered

Cost of services rendered decreased by 32.6% or RMB311.5 million from RMB956.9 million for the year ended 31 December 2017 to RMB645.4 million for the year ended 31 December 2018. Generally, the decrease in cost of services rendered was in line with the decrease in revenue for the year.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by 54.1% or RMB98.5 million from RMB182.0 million for the year ended 31 December 2017 to RMB83.5 million for the year ended 31 December 2018. Gross profit margin of the Group decreased from 15.9% for the year ended 31 December 2017 to 11.4% for the year ended 31 December 2018. The decrease in gross profit was primarily attributable to decrease in revenue for the year ended 31 December 2018 as compared with that of 2017.

Other income and gains

Other income and gains increased by 29.9% or RMB3.1 million from RMB10.1 million for the year ended 31 December 2017 to RMB13.2 million for the year ended 31 December 2018. The increase was primarily attributable to exchange gain and increase in government incentives and awards.

Administrative and other operating expenses

The Group's administrative expenses increased by 7.9% or RMB4.5 million from RMB57.3 million for the year ended 31 December 2017 to RMB61.8 million for the year ended 31 December 2018. The increase was primarily attributable to an increase in expenses as a result of business expansion during the year, but was partially offset by a decrease in one-off listing expenses for the 2017.

Finance costs

The Group's finance costs increased by 1.9 times or RMB6.9 million from RMB3.6 million for the year ended 31 December 2017 to RMB10.5 million for the year ended 31 December 2018, primarily attributable to the increase in average monthly balance of bank borrowings.

LIQUIDITY AND CAPITAL RESOURCES

	2018	2017
Cash and cash equivalents (excluding deposits with initial term of over three months) (RMB'000)	**272,198**	371,703
Current ratio	**1.8**	1.7
Gearing ratio	**0.5**	0.1

As at 31 December 2018, 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 2018, 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 0.5.

The increase in gearing ratio was mainly attributable to increase in borrowings for working capital purposes.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

During the year ended 31 December 2018, the Group acquired (i) 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 RMB76.0 million RMB13.6 million and RMB13.5 million respectively; and (ii) property, plant and equipment totaling RMB6.0 million.

Other than the aforesaid capital investment, the Group did not have any other significant capital expenditures during the year.

Operating lease commitments

As at 31 December 2018 and 2017, the Group had commitments for future minimum lease payments in respect of the Group's offices under non-cancellable operating lease arrangements, which fall due as follows:

	2018	2017
	RMB'000	RMB'000
Within one year	**2,846**	3,388
In the second to fifth year inclusive	**460**	1,417
Over five years	**—**	2
Total	**3,306**	4,807

Capital commitments

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2018	2017
	RMB'000	RMB'000
Consideration paid for an acquisition of a subsidiary	**—**	68,400
Consideration paid for purchase of property, plant and equipment	**3,500**	—
	3,500	68,400

INDEBTEDNESS

Borrowings

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

	2018	2017
	RMB'000	RMB'000
Short-term bank borrowings	**330,900**	111,000
Factoring loan with recourse	**51,287**	—
	382,187	111,000

The average interest rates for bank loans and factoring loan with recourse as at 31 December 2018 were 5.20% and 5.94% per annum respectively.

Except as disclosed above, as at 31 December 2018 and 2017, 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 from the Listing as described in the Company's announcement dated 8 December 2017, the following table sets forth the Group's use of net proceeds up to the date of this announcement:

	Adjusted allocation of use of proceeds *(HK$ million)*	Utilised amount up to the date of this announcement *(HK$ million)*	Remaining amount as at the date of this announcement *(HK$ million)*
Acquisition of construction companies possessing first-grade qualification and certificates in municipal projects, including but not limited to highway projects and water projects	195.8	120.2 *(Note)*	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	—	91.4
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	15.5	4.7
Total	**315.3**	**135.7**	**179.6**

Note:

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 remaining net proceeds of approximately HK$179.6 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 2020.

FINAL DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there was no significant event after the reporting period.

NO MATERIAL CHANGE

During the year ended 31 December 2018, 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 2017.

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 and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2018, 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 as set out in Appendix 10 to the Listing Rules (the "**Model Code**") 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 year ended 31 December 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is tentatively scheduled to be held on Monday, 10 June 2019. Notice of the annual general meeting will be published and issued to shareholders in due course.

BOOK CLOSURE

The transfer books and register of members of the Company will be closed from Monday, 3 June 2019 to Monday, 10 June 2019, 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 Friday, 31 May 2019.

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 ended 31 December 2018.

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited consolidated financial statements for the year ended 31 December 2018, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, RSM Hong Kong.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.chanhigh.com.hk. The Company's annual report for the year ended 31 December 2018 will be despatched to shareholders of the Company and published on the aforementioned websites in due course.

APPRECIATION

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

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

Hong Kong, 26 March 2019

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.