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Chanhigh Holdings Limited

滄海控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2017)

**EXCEEDING OF EXISTING 2017 ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTION**

Reference is made to the section headed “Continuing Connected Transactions” in the Prospectus containing details regarding, among other things, the continuing connected transaction with Canghu.

**EXCEEDING OF EXISTING 2017 ANNUAL CAP FOR CONTINUING
CONNECTED TRANSACTION**

In the process of obtaining construction progress certification for the year ended 31 December 2017, it came to the attention of the Board that the total construction service fees received/receivable by Chanhigh Construction from Canghu under the Framework Agreement was approximately RMB203.1 million, which exceeded the Existing 2017 Annual Cap of RMB170.0 million as stated in the Prospectus, by RMB33.1 million, or approximately 19.5% of the Existing 2017 Annual Cap.

LISTING RULES IMPLICATIONS

As the Actual 2017 Transaction Amount exceeded the Existing 2017 Annual Cap, the highest applicable percentage ratio in respect of the Actual 2017 Transaction Amount exceeded 5% and the annual consideration exceeded HK\$10 million, accordingly the transactions under Framework Agreement for the year ended 31 December 2017 are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.54 of the Listing Rules, before an annual cap for the continuing connected transactions is exceeded, the Company is required to re-comply with the requirements under Chapter 14A of the Listing Rules Listing Rules. Therefore, the transactions under the Framework Agreement for the year ended 31 December 2017 are subject to the ratification of the Independent Shareholders at the forthcoming annual general meeting of the Company.

A circular containing, among other matters, (i) further details of the transactions under the Framework Agreement for the year ended 31 December 2017; (ii) the letter of recommendation from the Independent Board Committee; and (iii) the letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions under the Framework Agreement for the year ended 31 December 2017, is expected to be despatched to the Shareholders on or before 25 April 2018. The resolution will be proposed at the forthcoming annual general meeting of the Company for the Independent Shareholders to consider and, if thought fit, ratifying the transactions contemplated under the Framework Agreement for the year ended 31 December 2017. As Peng Family is deemed to have a material interest in the transactions under the Framework Agreement, Peng Family and its associate(s) shall abstain from voting on the relevant resolution.

BACKGROUND

Reference is made to the section headed “Continuing Connected Transactions” in the Prospectus containing details regarding, among other things, the continuing connected transaction with Canghu. The principal terms of the Framework Agreement are set out below:

Parties:	Canghu (as principal) and Chanhigh Construction (as contractor)
Date:	17 July 2016
Term:	from 1 July 2016 to 31 December 2018
Services to be provided:	construction work in relation to the XYTH Project, including construction of municipal roads (including bridges), buildings and ancillary greenery landscape
Total construction service fees:	not exceeding RMB340,000,000

Pursuant to the Framework Agreement, Canghu and Chanhigh Construction had entered into two sub-agreements:

- (a) a sub-agreement dated 25 July 2016 in relation to construction of municipal roads, drainage, bridges, roadside lamp posts of the XYTH Project with a total contract sum of RMB150,000,000; and
- (b) a sub-agreement dated 27 July 2016 in relation to construction of relocation apartments for the Meidong residents (梅東農民) of the XYTH Project with a total contract sum of RMB135,000,000.

HISTORICAL FIGURES AND ANNUAL CAPS

The following table sets forth the construction service fees under the Framework Agreement for the two years ended 31 December 2016 and 2017:

	for the year ended	
	31 December	
	2016	2017
	<i>(RMB million)</i>	
Annual construction service fees	28.4	203.1

The following table sets forth the annual caps under the Framework Agreement, for the two years ended/ending 31 December 2017 and 2018:

Financial year ended/ ending 31 December	Existing annual caps of construction services fees under the Framework Agreement
	<i>(RMB million)</i>
2017	170.0
2018	80.0

Basis for calculating the existing annual caps

The Directors estimated that the maximum transaction amount under the Framework Agreement will not exceed RMB170,000,000 and RMB80,000,000 for the two years ended/ending 31 December 2017 and 2018 respectively. Such estimate was based on the terms and conditions of the Framework Agreement and the Main Contract (completion date of each individual construction work was specified under the Main Contract), the total contract sum under the Framework Agreement, the Directors' experience on the construction progress for similar projects as well as the financing arrangement of Canghu.

EXCEEDING OF EXISTING 2017 ANNUAL CAP

In the process of obtaining construction progress certification for the year ended 31 December 2017, it came to the attention of the Board that the total construction service fees received/receivable by Chanhigh Construction from Canghu under the Framework Agreement was approximately RMB203.1 million, which exceeded the Existing 2017 Annual Cap of RMB170.0 million as stated in the Prospectus, by approximately RMB33.1 million, or approximately 19.5% of the Existing 2017 Annual Cap.

REASONS FOR EXCEEDING THE EXISTING 2017 ANNUAL CAP

The progress of the XYTH Project was ahead of schedule due to the effective execution of the construction team of Chanhigh Construction throughout 2017. As a result, the Existing 2017 Annual Cap was exceeded close to the year end and it was inadvertently overlooked by the management of the Company.

REMEDIAL ACTIONS

The Company will endeavor to carry out adequate supervision over the construction service fees under the Framework Agreement against the relevant annual caps in future, with a view to ensure that necessary measures and appropriate actions for the compliance with the applicable requirements under the Listing Rules will be promptly taken. Such measures and actions include: (i) additional and continuous training on connected transactions will continue to be conducted for Directors, senior management and the accounting personnel of the Group on a regular basis; (ii) data relating to connected transactions of the Company (including quarterly transaction amounts and cumulative amounts) will be reviewed on a quarterly basis. If the transaction amount reaches 80% of the annual caps at any point of the year, the management would seek advice from the audit committee and the Board would consider the next steps, including the need to inform the Stock Exchange, to publish any announcement and to seek Independent Shareholders' approval for an increase in annual caps, if applicable; and (iii) upon finalizing the annual audited financial statements of the Group, if the audited financial figures would indicate the exceed of the annual caps, the Company would inform the Stock Exchange and make an immediate announcement.

LISTING RULES IMPLICATIONS

Canghu is a limited liability company established in the PRC and principally engaged in construction and building works of roads, bridges, water works, municipal public works and landscape projects. 72.7% of the equity interest in Canghu is indirectly owned by CHHG and 20% of the equity interest is owned by a state-owned enterprise, namely Huzhou Nantaihu Municipal Construction Company Limited (湖州南太湖市政建设有限公司), which is an independent third party. The remaining 7.3% of the equity interest in Canghu is indirectly owned by Mr. Peng TB and his spouse. CHHG is owned as to 20% by Mr. Peng DS, 30% by Mr. Peng TB and 50% by Ms. Wang SF. Mr. Peng DS and Mr. Peng TB are the executive Directors and Ms. Wang SF is the non-executive Director. Accordingly, Canghu is a connected person of the Company under the Listing Rules and the transactions under the Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, before an annual cap for the continuing connected transactions is exceeded, the Company is required to re-comply with the requirements under Chapter 14A of the Listing Rules.

As the Actual 2017 Transaction Amount exceeded the Existing 2017 Annual Cap, the highest applicable percentage ratio in respect of the Actual 2017 Transaction Amount exceeded 5% and the annual consideration exceeded HK\$10 million, accordingly the transactions under Framework Agreement for the year ended 31 December 2017 are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Therefore, the transactions under the Framework Agreement for the year ended 31 December 2017 are subject to the ratification of the Independent Shareholders at the forthcoming annual general meeting of the Company.

A circular containing, among other matters, (i) further details of the transactions under the Framework Agreement for the year ended 31 December 2017; (ii) the letter of recommendation from the Independent Board Committee; and (iii) the letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions under the Framework Agreement for the year ended 31 December 2017, is expected to be despatched to the Shareholders on or before 25 April 2018. The resolution will be proposed at the forthcoming annual general meeting of the Company for the Independent Shareholders to consider and, if thought fit, ratifying the transactions contemplated under the Framework Agreement for the year ended 31 December 2017. As Peng Family is deemed to have a material interest in the transactions under the Framework Agreement, Peng Family and its associate(s) shall abstain from voting on the relevant resolution.

GENERAL

Information about the Company and the Group

The Company is an investment holding company.

The Group principally provides landscape and municipal works construction and maintenance services to its customers. In addition, the Group undertakes building works and renovation works, and provides other services such as provision of maintenance and heritage building restoration services.

Information about Canghu

Canghu is a limited liability company established in the PRC and principally engaged in construction and building works of roads, bridges, water works, municipal public works and landscape projects.

Independent Board Committee

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai, has been informed to advise the Independent Shareholders in respect of the transactions under the Framework Agreement for the year ended 31 December 2017.

Independent Financial Adviser

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions under the Framework Agreement for the year ended 31 December 2017, subject to the approval by the Independent Board Committee.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Actual 2017 Transaction Amount”	the total transaction amount of approximately RMB203.1 million received/receivable by Chanhigh Construction under the Framework Agreement for the year ended 31 December 2017
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Canghu”	Huzhou Canghu Construction Investment Company Limited (湖州滄湖建設投資有限公司), a limited liability company established in the PRC which is indirectly owned as to 72.7% by CHHG, 20% by Huzhou Nantaihu Municipal Construction Company Limited (湖州南太湖市政建設有限公司) (an independent third party) and 7.3% by Mr. Peng TB and his spouse

“Chanhigh Construction”	Zhejiang Chanhigh Construction Limited (浙江滄海建設有限公司), formerly known as Zhejiang Chanhigh Municipal Landscape Construction Limited (浙江滄海市政園林建設有限公司), Yin County Shanshui Landscape Engineering Limited (鄞縣山水園林工程有限公司), Ningbo Shanshui Landscape Construction Limited (寧波山水園林建設有限公司) and Ningbo Shanshui Construction Limited (寧波山水建設有限公司), a limited liability company established in the PRC on 22 February 2001, which is an indirect wholly-owned subsidiary of the Company
“CHHG”	Chanhigh Holding Group Limited (滄海控股集團有限公司), formerly known as Ningbo Chanhigh Investment Ltd. (寧波滄海投資有限公司) and Ningbo Chanhigh Holding Group Ltd. (寧波滄海控股集團有限公司), a limited liability company established in the PRC on 26 April 2005, which is owned as to 30% by Mr. Peng TB, 20% by Mr. Peng DS and 50% by Ms. Wang SF
“Company”	Chanhigh Holdings Limited (stock code: 2017), the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Existing 2017 Annual Cap”	the existing annual cap of RMB170.0 million for the year ended 31 December 2017 under the Framework Agreement
“Framework Agreement”	a framework agreement entered into between Chanhigh Construction and Canghu on 17 July 2016 in respect of the XYTH Project
“Group”	the Company and its subsidiaries
“Hong Kong dollars”, “HK\$” or “HKD”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the transactions under the Framework Agreement for the year ended 31 December 2017
“Independent Shareholders”	the Shareholders, other than Peng Family and its associates, who have a material interest in the transactions under the Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Peng DS”	Mr. Peng Daosheng (彭道生), the founder and an executive Director, a member of the Peng Family, spouse of Ms. Wang SF, and father of Mr. Peng TB and Mr. Peng YH
“Mr. Peng TB”	Mr. Peng Tianbin (彭天斌), an executive Director and chairman of the Company, a member of the Peng Family, son of Mr. Peng DS and Ms. Wang SF, and brother of Mr. Peng YH
“Mr. Peng YH”	Mr. Peng Yonghui (彭永輝), an executive Director and chief executive officer of the Company, a member of the Peng Family, son of Mr. Peng DS and Ms. Wang SF, and brother of Mr. Peng TB
“Ms. Wang SF”	Ms. Wang Sufen (王素芬), a non-executive Director, a member of the Peng Family, spouse of Mr. Peng DS, and mother of Mr. Peng TB and Mr. Peng YH
“Main Contract”	a main contract entered into between CHHG and Huzhou Hantaihu Municipal Construction Company Limited (湖州南太湖政建設有限公司) on 9 March 2016 in respect of the XYTH Project
“Peng Family”	Mr. Peng DS, Ms. Wang SF, Mr. Peng TB and Mr. Peng YH
“PRC”	the People’s Republic of China, which for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Prospectus”	the prospectus issued by the Company on 21 March 2017
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“XYTH Project”	the underlying municipal project of the Framework Agreement, namely Phase I of the construction of Xinyuan — Taihu International Health City supporting infrastructure (鑫遠•太湖國際健康城配套基礎設施建設一期工程PPP項目)
“%”	per cent.

By order of the Board
Chanhigh Holdings Limited
Peng Tianbin
Chairman

Hong Kong, 3 April 2018

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.