
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Chanhigh Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

- (1) EXCEEDING OF THE EXISTING 2017 ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTION;
(2) PROPOSED RE-ELECTION OF RETIRING DIRECTORS;
(3) PROPOSED GRANTING OF GENERAL MANDATES TO
REPURCHASE SHARES AND TO ISSUE SHARES;
AND
(4) NOTICE OF ANNUAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

AMASSE CAPITAL
寶 積 資 本

A notice convening the annual general meeting (the “AGM”) of Chanhigh Holdings Limited (the “Company”) to be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 25 May 2018 at 2:30 p.m. is set out on pages 40 to 45 of this circular. A form of proxy for use at the AGM is also enclosed herewith. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.chanhigh.com.hk>).

Whether or not you are able to attend the AGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM (i.e. not later than 2:30 p.m. on Wednesday, 23 May 2018) or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the AGM if they so wish.

24 April 2018

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Accompanying document — form of proxy

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acting-in-Concert Confirmation”	an acting-in-concert confirmation dated 20 March 2011 executed by Mr. Peng YH, Mr. Peng TB, Mr. Peng DS and Ms. Wang SF whereby the Peng Family confirmed that, inter alia, it has a common control and influence on the management, operations and voting rights of Chanhigh Construction and its subsidiaries
“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
“AGM”	the annual general meeting of the Company to be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 25 May 2018 at 2:30 p.m. or any adjournment thereof, to consider and, if appropriate, to approve the resolutions contained in the notice of the AGM which is set out on pages 40 to 45 of this circular
“Amasse”	Amasse Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the Framework Agreement Matters
“Announcement”	the announcement in relation to the exceeding of the Existing 2017 Annual Cap for continuing connected transaction issued by the Company dated 3 April 2018
“Articles of Association”	the articles of association of the Company conditionally adopted on 15 March 2017 and became unconditionally effective on the Listing Date and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands

DEFINITIONS

“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 Nantaihu 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 a wholly-owned subsidiary of Chanhigh HK and an indirect wholly-owned subsidiary of the Company
“Chanhigh HK”	Chanhigh Hong Kong Limited (滄海香港有限公司), a limited liability company established in Hong Kong on 30 March 2016, which is a wholly owned subsidiary of Chanhigh Investments Limited (滄海投資有限公司), a limited liability company established in the BVI on 15 March 2016, which is a 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, and a connected person of the Company
“Company”	Chanhigh Holdings Limited (滄海控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 1 April 2016, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) 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

DEFINITIONS

“Framework Agreement Matters”	the transactions contemplated under the Framework Agreement, the Actual 2017 Transaction Amount exceeding the Existing 2017 Annual Cap, and the ratifications thereof
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Framework Agreement Matters
“Independent Shareholders”	the Shareholders, other than the Peng Family and its associates, who have a material interest in the transactions under the Framework Agreement
“Issuance Mandate”	a general unconditional mandate proposed to be granted to the Directors to allot, issue or deal with additional Shares of not exceeding 20% of the total number of issued shares of the Company as at the date of passing of the proposed ordinary resolution contained in item 5 of the notice of the AGM as set out on pages 41 to 43 of this circular, and the extension thereof as provided in the proposed ordinary resolution contained in item 6 of the notice of the AGM as set out on page 43 of this circular
“Latest Practicable Date”	20 April 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Date”	31 March 2017, being the date on which dealing in the Shares on the Stock Exchange commences
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Contract”	a main contract entered into between CHHG and Hantaihu on 9 March 2016 in respect of the XYTH Project
“Memorandum”	the memorandum of association of the Company, adopted on 15 March 2017 and as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“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
“Nantaihu”	Huzhou Nantaihu Municipal Construction Company Limited (湖州南太湖市政建設有限公司)
“Peng Family”	Mr. Peng DS, Ms. Wang SF, Mr. Peng TB and Mr. Peng YH
“PPP”	Public-Private-Partnership, a business model in which public infrastructure projects are financed, built and operated by way of partnership between the public sector and the private sector
“Prospectus”	the prospectus of the Company dated 21 March 2017
“PRC”	the People’s Republic of China and for the purpose of this circular excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“PTB Family Trust”	The Peng Tian Bin Family Trust, a discretionary trust set up by Mr. Peng YH, the beneficiaries of which shall include Mr. Peng TB and his descendants who carry the “PENG” (彭) surname
“PYH Family Trust”	The Peng Yong Hui Family Trust, a discretionary trust set up by Mr. Peng YH, the beneficiaries of which shall include Mr. Peng YH and his descendants who carry the “PENG” (彭) surname
“Repurchase Mandate”	a general unconditional mandate proposed to be granted to the Directors to repurchase Shares on the Stock Exchange of not exceeding 10% of the total number of issued Shares as at the date of passing of the proposed ordinary resolution contained in item 4 of the notice of the AGM as set out on pages 40 to 41 of this circular

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission as amended from time to time
“TEUR”	TEUR Holdings Limited (天鈺控股有限公司), a company incorporated under the laws of BVI with limited liability on 15 March 2016, and is wholly owned by Mr. Peng YH as the trustee of the PTB Family Trust
“Vast Base”	Vast Base Investments Limited (浩程投資有限公司), a company incorporated under the laws of BVI with limited liability on 15 March 2016, and is wholly owned by Mr. Peng YH as the trustee of the PYH Family Trust
“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.

In this circular, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with “*” is for identification purpose only.

LETTER FROM THE BOARD



Chanhigh Holdings Limited

滄海控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2017)

Executive Directors:

Mr. Peng Tianbin (*Chairman*)
Mr. Peng Yonghui (*Chief Executive Officer*)
Mr. Peng Daosheng

Non-executive Director:

Ms. Wang Sufen

Independent non-executive Directors:

Mr. Fan Rong
Mr. Shi Weixing
Mr. Yang Zhongkai

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office:

17th and 18th Floors
Cang Hai Industry Building
No. 3388 Cang Hai Road
Yinzhou District, Ningbo City
Zhejiang Province
China

Principal Place of Business in Hong Kong:

Room 1702, 17/F
COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

24 April 2018

To the Shareholders

Dear Sir/Madam,

- (1) EXCEEDING OF THE EXISTING 2017 ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTION;
(2) PROPOSED RE-ELECTION OF RETIRING DIRECTORS;
(3) PROPOSED GRANTING OF GENERAL MANDATES TO REPURCHASE
SHARES AND TO ISSUE SHARES;
AND
(4) NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to (1) the section headed “Continuing Connected Transactions” in the Prospectus; and (2) the Announcement.

LETTER FROM THE BOARD

The purposes of this circular are to provide the Shareholders with, among other matters, (i) the details of the Framework Agreement Matters; (ii) the letter of the Independent Board Committee to the Independent Shareholders in relation to the Framework Agreement Matters; (iii) the letter from Amasse to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreement Matters; (iv) the proposed re-election of retiring Directors; (v) the proposed granting of general mandates to repurchase Shares and to issue Shares (and the extension thereof); and (vi) a notice convening the AGM, so as to enable the Shareholders to make an informed decision on whether to vote for or against the proposed resolutions at the AGM.

2. EXCEEDING OF THE EXISTING 2017 ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTION

Background

Chanhigh Construction (as contractor) and Canghu (as principal) entered into the Framework Agreement on 17 July 2016 in respect of a municipal project under a PPP operated model by Canghu, i.e. the XYTH Project. The principal terms of the Framework Agreement are set out as 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.

The Company is an investment holding company.

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

LETTER FROM THE BOARD

interest is owned by a state-owned enterprise, Nantaihu, 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 respectively.

Chanhigh Construction is principally engaged in landscape and municipal works construction services, and is an indirect wholly-owned subsidiary of the Company

Reasons for transaction

CHHG obtained the XYTH Project through public tender. It entered into the Main Contract with Nantaihu on 9 March 2016 in respect of the XYTH Project, pursuant to which CHHG and Nantaihu shall form a joint-venture project company to carry out the construction obligations and duties of CHHG under the Main Contract.

The principal businesses of CHHG include, but not limited to, real estate development and investment, and it does not possess the requisite qualifications to provide municipal works construction services as required under the laws and regulations of the PRC. Therefore, as a property developer, the role undertaken by CHHG in the XYTH Project is to manage and finance the project. It is not responsible for carrying out the construction works; whereas Chanhigh Construction, as a landscape and municipal works construction service provider, has the relevant qualifications and capability to undertake the construction works. For that reason, Canghu contracted out most of the construction works under the Main Contract to Chanhigh Construction by entering into the Framework Agreement. The aforesaid arrangement has been agreed by CHHG and Nantaihu after arm's length negotiation and is in compliance with the applicable laws and regulations of the PRC.

In view of the respective roles of CHHG and Chanhigh Construction in the XYTH Project as indicated above, the Directors believe that CHHG will not be in competition with the Group.

Pricing standard

The total amount of the construction fees under the Main Contract was approximately RMB500,000,000, which was determined on normal commercial terms by public tender and was published in details in the public tender documents. According to the Main Contract, the construction works in respect of the XYTH Project were divided into several separate parts according to the main roads/streets where the construction works will be carried out, e.g. Xingdugang North Road works (行瀆港北路工程), Yaojiaba Avenue works (姚家壩街工程) and Ganghou Street works (港後街工程). In order to determine the amount of the construction fees for each part of the construction works, the relevant construction fees were further divided into different types of construction works, i.e. construction fees for building roadbed, pavement, bridges and lighting works.

The construction fees charged for each of the aforesaid sub-agreements were determined based on (a) a detailed construction cost budget with reference to the information on construction costs published by the Construction Costs Management Association of Huzhou City (湖州市建設工程造價管理協會); and (b) a reasonable profit margin which is similar to those charged on similar projects

LETTER FROM THE BOARD

offered to independent third party customers of the Group. The fees were determined jointly by the Group's engineering department, operation management department, finance department and procurement department, taking into consideration of the above factors.

Furthermore, prior to entering into the sub-agreements, in addition to the two factors mentioned above, the Group shall also take into consideration with reference to the following guidelines when determining the price or the construction fees in the sub-agreements for estimating the construction costs:-

- (a) Standard Method of Measurement for Public Utilities Works (《市政工程工程量計算規範》(GB50857-2013) issued by Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) and General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) (for municipal projects only);
- (b) Budget Quota for Public Utilities Works of Zhejiang Province (《浙江省市政工程預算定額》) (for municipal projects only);
- (c) Code of Valuation with Bill of Quantities of Construction Works of Zhejiang Province (2013 version) (《浙江省建設工程工程量清單計價規範》(2013版));
- (d) Regulations on Calculation of Costs of Construction Works of Zhejiang Province (2010 version) (《浙江省建設工程計價規則》(2010版));
- (e) Charge Quota for Construction Works of Zhejiang Province (2010 version) and Document No. 64 in relation to ancillary works (《浙江省建設工程施工費用定額》(2010版)及配套的浙建站計 [2013]64號文件); and
- (f) Charge Quota for Construction Machinery of Zhejiang Province (2010 version) (《浙江省施工機械台班費用定額》(2010版)).

The total amount of the construction service fees not exceeding RMB340,000,000 in relation to the construction works contracted by Canghu to Chanhigh Construction under the Framework Agreement represents approximately the aggregate amount of the construction fees specified in the Main Contract in respect of all the construction works (other than relocation work) to be subcontracted to Chanhigh Construction.

The consideration for the amount of the construction service fees under the Framework Agreement is in line with the amount of the relevant construction fees under the Main Contract which was published in the public tender documents in respect of the XYTH Project. The amount of the construction service fees under the Framework Agreement was determined after arm's length negotiation between Canghu and Chanhigh Construction with reference to the amount of construction fees guided by local government and competent authorities, the prevailing market prices of similar construction services and the experience, terms of service and expected quality rendered by the contractor.

LETTER FROM THE BOARD

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

According to the project schedule of the XYTH Project, all major construction works under the Framework Agreement will be completed in 2018, and therefore there is no annual cap for 2019.

Based on the latest information available, the Directors estimate that total amount of the construction fees under the Main Contract will be reduced due to changes in the project plan of the XYTH Project. Accordingly, the Directors consider that the existing 2018 annual cap of RMB80,000,000 is sufficient and it is not required to be revised.

Measures of internal control

To ensure the Company's conformity with the terms of the Framework Agreement, the Company adopts a series of internal control policies during its operations. The cumulated amounts for the continuing connected transaction of the Company will be supervised and monitored by the finance department of the Company and reviewed by the independent non-executive Directors and the auditors of the Company:

- (1) the finance department of the Company regularly monitors continuing connected transactions of the Company by comparing the project progress with the original project schedule and comparing the cumulated amounts of the transactions contemplated under the Framework Agreement with the annual caps;
- (2) the independent non-executive Directors will review the transactions contemplated under the Framework Agreement on a semiannual basis; and

LETTER FROM THE BOARD

- (3) the auditors of the Company will also conduct an annual review on the pricing terms and annual caps under the Framework Agreement.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the continuing connected transaction contemplated under the Framework Agreement will be conducted on normal commercial terms and are not prejudicial to the interests of the Company and the Shareholders as a whole.

Exceeding of the Existing 2017 Annual Cap

As mentioned in the Announcement, 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. The Existing 2017 Annual Cap was exceeded in October 2017.

As the Actual 2017 Transaction Amount exceeded the Existing 2017 Annual Cap and the highest applicable percentage ratio (other than profit ratio), within the meaning of Rule 14.07 of the Listing Rules, in respect of the Actual 2017 Transaction Amount exceeded 5% and the annual consideration exceeded HK\$10 million, the Company is required to re-comply with the 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 AGM.

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.

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.

Listing Rules implication

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.

LETTER FROM THE BOARD

Pursuant to Rule 14A.54 of the Listing Rules, before an annual cap for a continuing connected transaction 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 and the highest applicable percentage ratio (other than profit ratio), within the meaning of Rule 14.07 of the Listing Rules, 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 AGM.

As the Peng Family is deemed to have a material interest in the transactions under the Framework Agreement, the Peng Family and its associate(s) shall abstain from voting on the relevant resolution.

Remedial Actions

The Company will endeavour 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 be conducted for the 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 finalising the annual audited financial statements of the Group, if the audited financial figures would indicate the exceeding of the annual caps, the Company would inform the Stock Exchange and make an immediate announcement.

Confirmation of the Board

The Directors (including the independent non-executive Directors) (with Mr. Peng TB, Mr. Peng YH, Mr. Peng DS and Ms. Wang SF abstaining from voting and expressing their views) are of the view that (1) the transactions for the year ended 31 December 2017 under the Framework Agreement have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and (2) the Framework Agreement Matters are in the interests of the Company and Shareholders as whole.

Mr. Peng TB, Mr. Peng YH, Mr. Peng DS and Ms. Wang SF abstained from voting on the relevant board resolution in connection with the Framework Agreement Matters, as they have material interest in the Framework Agreement Matters. As at the Latest Practicable Date the Peng Family was interested in 73.21% of the issued share capital of the Company.

LETTER FROM THE BOARD

3. PROPOSED RE-ELECTION OF RETIRING DIRECTORS

In accordance with Article 84 of the Articles of Association, Mr. Peng TB, Mr. Shi Weixing and Mr. Yang Zhongkai shall retire by rotation at the AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

Details of the retiring Directors are set out in Appendix II to this circular.

4. PROPOSED GRANTING OF GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 1 June 2017, a general mandate was granted to the Directors to repurchase Shares. Such mandate will lapse at the conclusion of the AGM. In order to give the Company the flexibility to repurchase Shares if and when appropriate, an ordinary resolution will be proposed at the AGM to approve the granting of the Repurchase Mandate to the Directors to repurchase Shares on the Stock Exchange or any other recognised stock exchange of not exceeding 10% of the total number of issued Shares of the Company as at the date of passing of the proposed ordinary resolution contained in item 4 of the notice of the AGM as set out on pages 40 to 41 of this circular (i.e. a total of 61,850,200 Shares on the basis that no further Shares are issued or repurchased before the date of the AGM).

The Repurchase Mandate will continue to be in force until the conclusion of the next annual general meeting of the Company held after the AGM or any earlier date as referred to in the proposed ordinary resolutions contained in item 4 of the notice of the AGM as set out on pages 40 to 41 of this circular.

The Directors wish to state that they have no immediate plan to repurchase any Shares pursuant to the Repurchase Mandate, if granted.

An explanatory statement required by the Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the granting of the Repurchase Mandate is set out in Appendix III to this circular.

5. PROPOSED GRANTING OF GENERAL MANDATE TO ISSUE SHARES

At the annual general meeting of the Company held on 1 June 2017, a general mandate was granted to the Directors to issue Shares. Such mandate will lapse at the conclusion of the AGM. In order to give the Company the flexibility to issue Shares if and when appropriate, an ordinary resolution will be proposed at the AGM to approve the granting of the Issuance Mandate to the Directors to allot, issue or deal with additional Shares of not exceeding 20% of the total number of issued Shares of the Company as at the date of passing of the proposed ordinary resolution contained in item 5 of the notice of the AGM as set out on pages 41 to 43 of this circular (i.e. a total of 123,700,400 Shares on the basis that no further Shares are issued or repurchased before the date of the AGM). An ordinary resolution to extend the Issuance Mandate by adding the number of Shares repurchased by the Company pursuant to the Repurchase Mandate, as contained in item 6 of the notice of the AGM as set out on page 43 of this circular, will also be proposed at the AGM.

LETTER FROM THE BOARD

The Issuance Mandate will continue to be in force until the conclusion of the next annual general meeting of the Company held after the AGM or any earlier date as referred to in the proposed ordinary resolutions contained in item 5 of the notice of the AGM as set out on pages 41 to 43 of this circular.

The Directors wish to state that they have no immediate plan to issue any new Shares pursuant to the Issuance Mandate, if granted.

6. AGM AND FORM OF PROXY

A notice of the AGM is set out on pages 40 to 45 of this circular. At the AGM, in addition to the ordinary business of the meeting, ordinary resolutions will be proposed to approve, confirm and ratify the Framework Agreement Matters, and to approve (i) the re-election of retiring Directors; (ii) the Repurchase Mandate; and (iii) the Issuance Mandate and the extension thereof. All resolutions to be proposed at the AGM will be voted on by poll.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are able to attend the AGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM (i.e. not later than 2:30 p.m. on Wednesday, 23 May 2018) or any adjournment thereof.

7. VOTING BY WAY OF POLL

Pursuant to the Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the AGM in the manner prescribed under the Listing Rules.

8. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21 May 2018 to Friday, 25 May 2018, both days inclusive, during which period no transfer of shares will be registered, in order to determine the entitlement to attend and vote at the AGM. In order to be entitled to attend and vote at the AGM, unregistered holders of Shares should ensure that all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged for registration with Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 18 May 2018.

LETTER FROM THE BOARD

9. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular which contains its recommendation to the Independent Shareholders in relation to the Framework Agreement Matters. Your attention is also drawn to the letter from Amasse set out on pages 17 to 28 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreement Matters, and the principal factors and reasons taken into account in arriving at its recommendations.

The Independent Board Committee, having taken into account the advice of Amasse, considers that the transactions for the year ended 31 December 2017 under the Framework Agreement have been conducted in the ordinary and usual course of business of the Group, are on normal commercial terms and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, it recommends that the Independent Shareholders to vote in favour of the resolution to approve, confirm and ratify the Framework Agreement Matters.

The Directors believe that the other resolutions to be proposed at the AGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders should vote in favour of such resolutions at the AGM.

10. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

11. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,
For and on behalf of the Board
Chanhigh Holdings Limited
Peng Tianbin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Chanhigh Holdings Limited
滄海控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2017)

24 April 2018

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular issued by the Company to the Shareholders and dated 24 April 2018 (“**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the transactions under the Framework Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

We have been appointed by the Board to consider (i) whether the terms of Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Actual 2017 Transaction Amount is in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group, and to advise on how the Independent Shareholders should vote in respect of the resolutions to be proposed at the AGM to ratify and approve the Actual 2017 Transaction Amount. Amasse has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from Amasse as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of Amasse as set out in its letter of advice, we consider that (i) the terms of the Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Actual 2017 Transaction Amount is in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the AGM to approve, confirm and ratify the Actual 2017 Transaction Amount.

Yours faithfully,

Independent Board Committee

Fan Rong

Shi Weixing

Yang Zhongkai

Independent non-executive Directors

LETTER FROM AMASSE

Set out below is the text of a letter received from Amasse Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Framework Agreement Matters, which has been prepared for the purpose of incorporation in this circular.

AMASSE CAPITAL
寶 積 資 本

24 April 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

EXCEEDING OF EXISTING 2017 ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement Matters, details of which are set out in the letter from the Board contained in the circular of the Company dated 24 April 2018 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As mentioned in the Circular, 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.

LETTER FROM AMASSE

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, Nantaihu, 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 respectively. 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 a continuing connected transaction 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 (other than profit ratio), within the meaning of Rule 14.07 of the Listing Rules, 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 AGM.

As the Peng Family is deemed to have a material interest in the transactions under the Framework Agreement, the Peng Family and its associate(s) shall abstain from voting on the relevant resolution.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai, has been formed to advise the Independent Shareholders in respect of the Framework Agreement Matters. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders for any transaction.

LETTER FROM AMASSE

With regard to our independence from the Company, it is noted that, apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Framework Agreement Matters. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular as a whole misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Framework Agreement Matters or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the Framework Agreement Matters. We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

LETTER FROM AMASSE

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion, we have taken into consideration the following principal factors and reasons.

1. BACKGROUND INFORMATION

(a) Information of the Group

The Group is principally engaged in the provision of municipal work and landscape construction and related services.

Set out below is a summary of the financial information of the Group as extracted from the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) and the annual result announcement of the Company for the year ended 31 December 2017 (the “**2017 Annual Result Announcement**”), details of which are as follows:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue	1,006,339	1,551,858	1,144,539
Gross profit	132,535	194,626	182,047
Profit attributable to owners of the Company	95,179	108,004	80,328

LETTER FROM AMASSE

For the year ended 31 December 2017

For the year ended 31 December 2017, the Group recorded a revenue of approximately RMB1,144.5 million as compared to a revenue of approximately RMB1,551.9 million for the year ended 31 December 2016, representing a decrease of approximately 26.3%. Such decrease was primarily due to the decrease in revenue from the landscape construction and municipal works construction segments in 2017.

Gross profit of the Group for the year ended 31 December 2017 amounted to approximately RMB182.0 million when compared to the gross profit for the corresponding period in 2016 of approximately RMB194.6 million, representing a decrease of approximately 6.5%. Such decrease lesser in extend than that of revenue was due to gross profit margin increased primarily attributable to having selection criteria with higher profit margin for tenders since the listing of the Group in March 2017.

Profit attributable to owners of the Company for the year ended 31 December 2017 amounted to approximately RMB80.3 million when compared to a profit attributable to owners of the Company for the corresponding period in 2016 of approximately RMB108.0 million, representing a decrease of approximately 25.6%. Such decrease was primarily due to decrease in revenue.

For the year ended 31 December 2016

For the year ended 31 December 2016, the Group recorded a revenue of approximately RMB1,551.9 million as compared to a revenue of approximately RMB1,006.3 million for the year ended 31 December 2015, representing an increase of approximately 54.2%. The increase in revenue was primarily due to the increase from the landscape construction and municipal works construction segments.

Gross profit of the Group for the year ended 31 December 2016 amounted to approximately RMB194.6 million when compared to the gross profit for the corresponding period in 2015 of approximately RMB132.5 million, representing an increase of approximately 46.9%. Such increase was primarily in line with revenue due to increase from the landscape construction and municipal works construction segments.

Profit attributable to owners of the Company for the year ended 31 December 2016 amounted to approximately RMB108.0 million when compared to a profit attributable to owners of the Company for the corresponding period in 2015 of approximately RMB95.2 million, representing an increase of approximately 13.5%. Such increase lesser in extend than that of revenue was primarily due to the non-recurring listing expenses incurred during 2016.

(b) Information of 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. Canghu is a connected person of the Company under the Listing Rules.

LETTER FROM AMASSE

2. FRAMEWORK AGREEMENT

(a) Principal terms of the Framework Agreement

Chanhigh Construction (as contractor) and Canghu (as principal) entered into the Framework Agreement on 17 July 2016 in respect of a municipal project under a PPP operated model by Canghu, i.e. the XYTH Project. The principal terms of the Framework Agreement are set out as 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

The total amount of the construction fees under the Main Contract was approximately RMB500,000,000, which was determined on normal commercial terms by public tender and was published in details in the public tender documents. According to the Main Contract, the construction works in respect of the XYTH Project were divided into several separate parts according to the main roads/streets where the construction works will be carried out, e.g. Xingdugang North Road works (行瀆港北路工程), Yaojiaba Avenue works (姚家壩街工程) and Ganghou Street works (港後街工程). In order to determine the amount of the construction fees for each part of the construction works, the relevant construction fees were further divided into different types of construction works, i.e. construction fees for building roadbed, pavement, bridges and lighting works.

The total amount of the construction service fees not exceeding RMB340,000,000 in relation to the construction works contracted by Canghu to Chanhigh Construction under the Framework Agreement represents approximately the aggregate amount of the construction fees specified in the Main Contract in respect of all the construction works (other than relocation work) to be subcontracted to Chanhigh Construction.

The consideration for the amount of the construction service fees under the Framework agreement is in line with the amount of the relevant construction fees under the Main Contract which was published in the public tender documents in respect of the XYTH Project. The amount of the construction service fees under the Framework Agreement was determined after arm's length negotiation between Canghu and Chanhigh Construction with reference to the amount of construction fees guided by local government and competent authorities, the prevailing market prices of similar construction services and the experience, terms of service and expected quality rendered by the contractor.

LETTER FROM AMASSE

We have reviewed the Main Contract and noted that the total construction service fees of not exceeding RMB340,000,000 under the Framework Agreement is in line with the aggregate amount of the construction fees specified in the Main Contract in respect of all the construction works (other than relocation work).

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

- (1) 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 (the “**Sub Agreement 1**”); and
- (2) 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 (the “**Sub Agreement 2**”, together with the Sub Agreement 1, the “**Sub Agreements**”).

(b) **Reasons for transaction**

CHHG obtained the XYTH Project through public tender. It entered into the Main Contract with Nantaihu on 9 March 2016 in respect of the XYTH Project, pursuant to which CHHG and Nantaihu shall form a joint-venture project company to carry out the construction obligations and duties of CHHG under the Main Contract.

The principal businesses of CHHG include, but not limited to, real estate development and investment, and it does not possess the requisite qualifications to provide landscape and municipal works construction services as required under the laws and regulations of the PRC. Therefore, as a property developer, the role undertaken by CHHG in the XYTH Project is to manage and finance the project. It is not responsible for carrying out the construction works; whereas Chanhigh Construction, as a landscape and municipal works construction service provider, has the relevant qualifications and capability to undertake the construction works. For that reason, Canghu contracted out most of the construction works under the Main Contract to Chanhigh Construction by entering into the Framework Agreement. The aforesaid arrangement has been agreed by CHHG and Nantaihu after arm’s length negotiation and is in compliance with the applicable laws and regulations of the PRC.

(c) **Pricing for the Sub Agreements**

The construction fees charged for each of the aforesaid sub-agreements were determined based on (a) a detailed construction cost budget with reference to the information on construction costs published by the Construction Costs Management Association of Huzhou City (湖州市建設工程造價管理協會); and (b) a reasonable profit margin which is similar to those charged on similar projects offered to independent third party customers of the Group. The fees were determined jointly by the Group’s engineering department, operation management department, finance department and procurement department, taking into consideration of the above factors.

LETTER FROM AMASSE

Furthermore, prior to entering into the sub-agreements, in addition to the two factors mentioned above, the Group shall also take into consideration with reference to certain guidelines when determining the price or the construction fees in the sub-agreements for estimating the construction costs. Details of which are disclosed in the Circular.

Our view on the pricing of the construction fees under the Sub- Agreements

Based on the detailed construction cost budget in respect of each of the Sub Agreements provided by the Company, we noted that the Group charged a markup of approximately 16.0% to 17.2% on top of the respective construction cost budget to determine the constructions fees charged for each of the Sub Agreements.

We have reviewed a total of 47 sample transactions provided by the Company regarding the construction fees charged to third party customers, representing a sample size of over 50% of all transactions on similar projects entered into with third party customers for the years ended 31 December 2015 and 2016. We noted from such transactions that the Group charged a markup of approximately 6.8% to 26.6% on top of the respective construction cost budget, with a median of approximately 16.0%.

In view that the markup charged under the Sub Agreements is close to the median markup charged to third party customers. We consider that the pricing of the Sub Agreements is fair and reasonable.

(d) 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>	<i>(RMB million)</i>
Annual construction service fees	28.4	203.1

LETTER FROM AMASSE

The following table sets forth the annual caps under the Framework Agreement, for the three years ended/ending 31 December 2016, 2017 and 2018:

Financial year ended/ending 31 December	Existing annual caps of construction services fees under the Framework Agreement (RMB million)
2016	90.0
2017	170.0
2018	80.0

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.

Our view on the historical annual caps

Having considered that:

- (1) The total aggregated annual caps for the years ended 31 December 2016, 2017 and 2018 of RMB340,000,000 under the Framework Agreement represented approximately the aggregate amount of the construction fees specified in the Main Contract in respect of all the construction works (other than relocation work) to be subcontracted; and
- (2) We have discussed with and as advised by the Management, in setting the historical annual caps for the three years ending 31 December 2018, we were given to understand that (i) all the construction works under the Framework Agreement and the Main Contract was expected to be completed by end of 2018; and (ii) with reference to the completion date of each individual construction work was specified under the Main Contract, the Management estimated that approximately 25%, 50% and 25% of the total construction works would be completed in 2016, 2017 and 2018 respectively,

we therefore consider the historical annual caps for the three years ending 31 December 2018 are fair and reasonable.

LETTER FROM AMASSE

3. EXCEEDING OF EXISTING 2017 ANNUAL CAP AND THE REASONS THEREOF

As mentioned in the Circular, 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. The Existing 2017 Annual Cap was exceeded in October 2017.

As advised by the Management, the annual construction fee of RMB203.1 million for the year ended 31 December 2017 were certificated by the construction fee payment certificates issued by an independent professional and qualified supervision institution for construction works in the PRC.

As the Actual 2017 Transaction Amount exceeded the Existing 2017 Annual Cap and the highest applicable percentage ratio (other than profit ratio), within the meaning of Rule 14.07 of the Listing Rules, in respect of the Actual 2017 Transaction Amount exceeded 5% and the annual consideration exceeded HK\$10 million, the Company is required to re-comply with the 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 AGM.

As stated in the Circular, 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.

We have discussed with and as advised by the Management, we were given to understand that (i) the progress of the XYTH Project was ahead of schedule due to the effective execution of the construction team of Chanhigh Construction as a result of (a) close communication between Canghu (as the principal) and Chanhigh Construction (as the contractor) on the delivery of the required manpower, materials and machinery and equipment to carry out construction; and (b) the prompt liaison with the local government for approval to carry out construction; and (ii) the Existing 2017 Annual Cap was exceeded is merely due to the progress of the XYTH Project was ahead of schedule as discussed in paragraph (i).

As further advised by the Management, the aforesaid inadvertently overlooked by the Company is considered as an isolated event as such overlook was mainly caused by a resignation of a senior engineer in charge of the supervision of the XYTH Project and miscommunication during the handover of duties. In order to prevent and avoid similar event in the future, the Company has taken and adopted remedial actions as disclosed in section headed “Measures of Internal Control and Remedial Actions” below.

Lastly, as advised by the Management, the progress of the XYTH Project was ahead of schedule is favorable to the Group as revenue could be recognized by the Group earlier.

LETTER FROM AMASSE

4. MEASURES OF INTERNAL CONTROL AND REMEDIAL ACTIONS

To ensure the Company's conformity with the terms of the Framework Agreement, the Company adopts a series of internal control policies during its operations. The cumulated amounts for the continuing connected transaction of the Company will be supervised and monitored by the finance department of the Company and reviewed by the independent non-executive Directors and the auditors of the Company:

- (1) the finance department of the Company regularly monitors continuing connected transactions of the Company by comparing the project progress with the original project schedule and comparing the cumulated amounts of the transactions contemplated under the Framework Agreement with the annual caps;
- (2) the independent non-executive Directors will review the transactions contemplated under the Framework Agreement on a semiannual basis; and
- (3) the auditors of the Company will also conduct an annual review on the pricing terms and annual caps under the Framework Agreement.

Further, as stated in the Circular, 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.

Having discussed with the Management and given that the internal control procedures and remedial actions as set out above, in particular the Group further increases the frequency of review in (ii) by assigning a designated finance manager to track the amount in respect of connected transaction monthly and report to the Board on a quarterly basis, we are of the view that the internal control procedures and remedial actions adopted by the Company for purpose of monitoring the transactions contemplated under the Framework Agreement are adequate.

LETTER FROM AMASSE

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the Framework Agreement Matters are in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution(s) to be proposed at the AGM to approve and ratify the Framework Agreement Matters.

Yours faithfully,
For and on behalf of
Amasse Capital Limited
May Tsang
Director

1. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in ordinary Shares

Name of Director	Nature of interest	Number of Shares	Approximate shareholding percentage (%)
Mr. Peng YH	Trustee of the PYH Family Trust and the PTB Family Trust (<i>Note 1</i>)	451,170,000	72.95%
	Interests of the spouse (<i>Note 2</i>)	1,610,000	0.26%
Mr. Peng TB	interests under section 317 (<i>Note 3</i>)	452,780,000	73.21%
Mr. Peng DS	interests under section 317 (<i>Note 3</i>)	452,780,000	73.21%
Ms. Wang SF	interests under section 317 (<i>Note 3</i>)	452,780,000	73.21%

Notes:

- (1) Vast Base is owned by Mr. Peng YH as trustee of the PYH Family Trust and TEUR is owned by Mr. Peng YH as trustee of the PTB Family Trust. Mr. Peng YH being the trustee of the PYH Family Trust and the PTB Family Trust, is therefore deemed to be interested in the Shares held by the PYH Family Trust and the PTB Family Trust under the SFO.
- (2) 1,610,000 shares are held by the spouse of Mr. Peng YH.
- (3) Pursuant to the Acting-in-Concert Confirmation, each of Mr. Peng DS, Ms. Wang SF, Mr. Peng YH and Mr. Peng TB is deemed to be interested in all the Shares held by Vast Base and TEUR under the PYH Family Trust and the PTB Family Trust by virtue of section 317 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the ordinary Shares

Name of substantial Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding (%)
Vast Base	Beneficial interest (<i>Note 1</i>)	226,170,000	36.57%
TEUR	Beneficial interest (<i>Note 1</i>)	225,000,000	36.38%
Zhejiang Yongchuang Industrial Co., Ltd.	Beneficial interest (<i>Note 2</i>)	35,944,000	5.81%
Mr. Lou Zhangliang	Interest in controlled corporation (<i>Note 2</i>)	35,944,000	5.81%

Notes:

- (1) Vast Base is wholly owned by Mr. Peng YH as the trustee of the PYH Family Trust. The PYH Family Trust is a discretionary trust set up by Mr. Peng YH whose beneficiaries are Mr. Peng YH and his descendants who carry the "PENG (彭)" surname. On the other hand, TEUR is wholly owned by Mr. Peng YH as the trustee of PTB Family Trust. The PTB Family Trust is a discretionary trust set up by Mr. Peng YH whose beneficiaries are Mr. Peng TB and his descendants who carry the "PENG (彭)" surname. Under the SFO, Mr. Peng YH as a trustee of the PYH Family Trust and the PTB Family Trust is deemed to be interested in all Shares held by Vast Base and TEUR under the PYH Family Trust and the PTB Family Trust.
- (2) Zhejiang Yongchuang Industrial Co., Ltd. is owned as to 70% by Mr. Lou Zhangliang, who is therefore deemed to be interested in 5.81% of the issued share capital of the Company held by Zhejiang Yongchuang Industrial Co., Ltd.

Save as disclosed above, and as at the Latest Practicable Date, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

3. NO MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors have confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Group have been made up.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group

6. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. DIRECTOR'S INTEREST IN CONTRACT AND ARRANGEMENT

None of the Directors is materially interested in any contract or arrangement subsisting as at the date of this circular which is significant in relation to the business of the Group as a whole.

8. QUALIFICATION AND CONSENT OF EXPERT

Amasse is a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO.

Amasse has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they respectively appear.

As at the Latest Practicable Date, Amasse did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Amasse did not have any interest, direct or indirect, in any assets which since 31 December 2017, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company in Hong Kong at Room 1702, 17/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong during normal business hours on any weekdays (except public holidays) from the date of this circular up to and including the date of the AGM:

- (a) the Framework Agreement;
- (b) the letter from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed “Letter from Independent Board Committee” in this circular;
- (c) the letter from Amasse containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from Amasse” in this circular; and
- (d) the written consent of Amasse to in the paragraph headed “Qualification and consent of expert” in this appendix.

APPENDIX II DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT THE AGM

The following are details of the Directors who will retire and being eligible, offer themselves for re-election at the AGM.

(1) Mr. Peng Tianbin

Mr. Peng Tianbin (彭天斌), aged 37, was appointed as a Director on 1 April 2016 and then was redesignated as an executive Director and chairman of the Company on 15 March 2017. Mr. Peng TB was the vice general manager of Chanhhigh Construction from 2001 to 2005, and was appointed as the chairman of CHHG in 2005. Mr. Peng TB is responsible for overall management, corporate policy making and strategic planning of the Group's business operations. He is currently the general manager, director and legal representative of CHHG.

Mr. Peng TB obtained a diploma in computer application* (計算機應用) in July 2000. He joined the Group in 2001, and has since then obtained over 15 years of experience in the landscape and public work construction industry.

Mr. Peng TB has entered into a service agreement with the Company on 15 March 2017 for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party to the other. Mr. Peng TB will hold the office only until the AGM and be subject to re-election in accordance with Article 84 of the Articles of Association.

For the year ended 31 December 2017, Mr. Peng TB received total emoluments of approximately RMB1,388,000, which was determined by the Board on the basis of Mr. Peng TB's performance, responsibility, workload and the time devoted to the Group and is subject to the review of the remuneration committee from time to time and the approval by the Shareholders at the Company's annual general meetings.

As at the Latest Practicable Date, Mr. Peng TB is interested in 452,780,000 Shares under Part XV of the SFO by virtue of section 317 of the SFO.

Mr. Peng TB is a member of the Peng Family. Mr. Peng TB is the son of Mr. Peng DS and Ms. Wang SF, brother of Mr. Peng YH. Mr. Peng TB is also a controlling shareholder of the Company.

Save as disclosed above, Mr. Peng TB did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas and does not have any relationship with any other Directors, senior management of the Company or substantial Shareholders.

Save as disclosed above, there is no information of Mr. Peng TB that is discloseable pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters concerning Mr. Peng TB that need to be brought to the attention of the Shareholders.

APPENDIX II DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT THE AGM

(2) Mr. Shi Weixing

Mr. Shi Weixing (施衛星), aged 55, was appointed as an independent non-executive Director on 15 March 2017.

Mr. Shi graduated from Tongji University* (同濟大學) with a bachelor's degree in architecture (structural engineering) in July 1984. He obtained a master's degree in structural engineering in May 1987, and a doctorate degree in engineering in September 1990. Mr. Shi is currently a professor at Tongji University. He is a member* (副主任委員) of the National Committee for Standardization on Mechanical Vibration and Shock* (全國機械振動與衝擊標準化技術委員會) since September 2004.

Mr. Shi has entered into a service agreement with the Company on 15 March 2017 for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party to the other. Mr. Shi will hold the office only until the AGM and be subject to re-election in accordance with Article 84 of the Articles of Association.

For the year ended 31 December 2017, Mr. Shi received total emoluments of approximately RMB53,000, which was determined by the Board on the basis of Mr. Shi's performance, responsibility, workload and the time devoted to the Group and is subject to the review of the remuneration committee from time to time and the approval by the Shareholders at the Company's annual general meetings.

As at the Latest Practicable Date, Mr. Shi does not have any interest in the Shares or underlying Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Shi did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas and does not have any relationship with any other Directors, senior management of the Company or substantial Shareholders.

Save as disclosed above, there is no information of Mr. Shi that is discloseable pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters concerning Mr. Shi that need to be brought to the attention of the Shareholders.

(3) Mr. Yang Zhongkai

Mr. Yang Zhongkai (楊仲凱), aged 43, was appointed as an independent non-executive Director on 15 March 2017. He is currently a senior partner* (高級合夥人) of Join & High Law Office (天津四方君滙律師事務所).

Mr. Yang studied in Nankai University. He obtained a master's diploma in Political Economy (Politics and Economic Management)* (政治經濟學(經濟與政治管理)) from Tianjin Normal University (天津師範大學) in July 2003. On 8 October 2009, Mr. Yang obtained a Master of Arts (International Relations in Economy and Trade) from Flinders University through one of its offshore programs.

**APPENDIX II DETAILS OF THE RETIRING DIRECTORS PROPOSED
TO BE RE-ELECTED AT THE AGM**

Mr. Yang has been serving as the senior partner of Join & High Law Office (天津四方君滙律師事務所) since 2010.

Mr. Yang has entered into a service agreement with the Company on 15 March 2017 for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party to the other. Mr. Yang will hold the office only until the AGM and be subject to re-election in accordance with Article 84 of the Articles of Association.

For the year ended 31 December 2017, Mr. Yang received total emoluments of approximately RMB53, which was determined by the Board on the basis of Mr. Yang's performance, responsibility, workload and the time devoted to the Group and is subject to the review of the remuneration committee from time to time and the approval by the Shareholders at the Company's annual general meetings.

As at the Latest Practicable Date, Mr. Yang does not have any interest in the Shares or underlying Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Yang did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas and does not have any relationship with any other Directors, senior management of the Company or substantial Shareholders.

Save as disclosed above, there is no information of Mr. Yang that is discloseable pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters concerning Mr. Yang that need to be brought to the attention of the Shareholders.

The following is an explanatory statement required by the Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the AGM in relation to the granting of the Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 618,502,000 Shares.

Subject to the passing of the ordinary resolution set out in item 4 of the notice of the AGM in respect of the granting of the Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the AGM, i.e. being 618,502,000 Shares, the Directors would be authorised under the Repurchase Mandate to repurchase, during the period in which the Repurchase Mandate remains in force, a maximum of 61,850,200 Shares, representing 10% of the total number of Shares in issue as at the date of the AGM.

2. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share.

3. FUNDING OF REPURCHASES

The Company may only apply funds legally available for share repurchase in accordance with its Memorandum and Articles of Association and/or the applicable laws of the Cayman Islands, as the case may be. Any repurchase may be made out of funds legally permitted to be utilised in this connection, including profits of the Company, share premium account for the Company or out of proceeds of a fresh issue of Shares made for that purpose and in the case of any premium payable on a repurchase over the par value of the Shares to be repurchased, it must be paid out of either or both of the profits of the Company or the Company's share premium account. Subject to satisfaction of the solvency test prescribed by the Cayman Islands Companies Law, a repurchase may also be made out of capital.

4. IMPACT OF REPURCHASES

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 December 2017) in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the

Directors do not intend to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. MARKET PRICES OF SHARES

The highest and lowest prices per Share at which Shares have traded on the Stock Exchange during each of the previous months commencing the Listing Date and up to and including the Latest Practicable Date were as follows:

Month	Highest HK\$	Lowest HK\$
March 2017	2.42	2.17
April 2017	2.28	1.74
May 2017	2.12	1.70
June 2017	2.16	1.75
July 2017	1.95	1.50
August 2017	1.71	1.44
September 2017	1.65	1.44
October 2017	1.61	1.50
November 2017	1.24	1.43
December 2017	1.58	1.39
January 2018	2.10	1.36
February 2018	1.68	1.40
March 2018	1.54	1.32
April 2018 (<i>up to the Latest Practicable Date</i>)	1.25	1.25

6. TRADING RESTRICTIONS

Pursuant to the Listing Rules, the Company:

- (i) shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its Shares were traded on the Stock Exchange;
- (ii) shall not purchase its Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time;
- (iii) shall not knowingly purchase its Shares from a core connected person and a core connected person shall not knowingly sell Shares to the Company, on the Stock Exchange;

- (iv) shall procure that any broker appointed by the Company to effect the purchase of its Shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the Company as the Stock Exchange may request;
- (v) shall not purchase its Shares on the Stock Exchange at any time after an inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of:
 - (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, the Company may not purchase its Shares on the Stock Exchange, unless the circumstances are exceptional;

- (vi) may not purchase its Shares on the Stock Exchange if that purchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or the relevant prescribed minimum percentage for the Company as determined by the Listing Rules from time to time).

The Stock Exchange may waive all or part of the above restrictions if, in its opinion, the above are exceptional circumstances.

7. GENERAL

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to repurchase Shares pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands and the Articles of Association.

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), have any present intention if the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

No core connected person of the Company has notified us that he/she or it has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of the Shares on the Stock Exchange. Save as aforesaid, the Directors are not aware of any other consequences which would arise under the Takeovers Code as a consequence of any repurchases made pursuant to the Repurchase Mandate.

8. TAKEOVERS CODE

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of the Company and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best knowledge and belief of the Directors, the Peng Family is interested in 452,780,000 Shares, representing approximately 73.21% of the existing total issued share capital of the Company. In the event that the Directors should exercise in full the Repurchase Mandate, the Peng Family's interests in the Company would be increased to approximately 81.34% of the issued share capital of the Company and such an increase would not give rise to an obligation to make a mandatory general offer under the Takeovers Code. The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchase made.

As aforesaid, the Listing Rules prohibit a company from making repurchase on the Stock Exchange if the result of the repurchase would be that less than 25% (or such other prescribed minimum percentage as determined by the Stock Exchange) of the total number of issued shares of the Company would be in public hands. The Directors shall not propose to repurchase Shares if it would result in less than the prescribed minimum percentage of Shares in public hands.

9. SHARE REPURCHASE MADE BY THE COMPANY

During the period commencing the Listing Date and up to the Latest Practicable Date, the Company had not repurchased any of the Shares (whether on the Stock Exchange or otherwise).

NOTICE OF THE AGM



Chanhigh Holdings Limited 滄海控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2017)

Notice is hereby given that the annual general meeting (the “AGM”) of Chanhigh Holdings Limited (the “Company”) will be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 25 May 2018 at 2:30 p.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To receive, consider and approve the audited consolidated financial statements of the Company and the reports of the director(s) of the Company (the “**Director(s)**”) and auditors of the Company for the year ended 31 December 2017.
2.
 - (a) To re-elect Mr. Peng Tianbin as an executive Director.
 - (b) To re-elect Mr. Shi Weixing as an independent non-executive Director.
 - (c) To re-elect Mr. Yang Zhongkai as an independent non-executive Director.
 - (d) To authorise the board of Directors (the “**Board**”) to fix the respective Directors’ remuneration.
3. To re-appoint RSM Hong Kong as auditors of the Company until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.
4. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT:**

- (a) subject to paragraph (b) below, a general mandate be and is hereby generally and unconditionally given to the directors of the Company to exercise during the Relevant Period (as defined below) all the powers of the Company to repurchase ordinary shares of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange recognized, for this purpose

NOTICE OF THE AGM

by the Securities and Futures Commission of Hong Kong and the Stock Exchange, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) or of any other stock exchange as amended from time to time;

- (b) the total number of shares of the Company to be repurchased pursuant to the mandate in paragraph (a) above shall not exceed 10% of the total number of issued Shares as at the date of passing of this resolution, and if any subsequent consolidation or subdivision of shares is conducted, the maximum number of Shares that may be repurchased under the mandate in paragraph (a) above as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of Shares, and power granted under such approval shall be adjusted to such extent accordingly; and

- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

- 5. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT:**

- (a) subject to paragraph (c) below, a general mandate be and is hereby generally and unconditionally given to the Directors during the Relevant Period (as defined below) to allot, issue and deal with (i) Shares; (ii) securities convertible into Shares; or (iii) options, warrants or similar rights to subscribe for any Shares or such convertible securities, and to make or grant offers, agreements and options which would or might require such securities to be issued, allotted or disposed of, in exercise of such powers, subject to and in accordance with all applicable laws, rules and regulation;

NOTICE OF THE AGM

- (b) the mandate in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options which would or might require the exercise of such powers to allot, issue or dispose of such securities as referred to in paragraph (a) above after the end of the Relevant Period and to make such allotment, issue and disposal under such offers, agreements and options;
- (c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted by the directors pursuant to the mandate in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as defined below);
 - (ii) the exercise of options under a share option scheme of the Company; and
 - (iii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company,

shall not exceed 20% of the total number of issued Shares of the Company as at the date of passing of this resolution, and if any subsequent consolidation or subdivision of shares is conducted, the maximum number of Shares that may be issued under the mandate in paragraph (a) above as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum Shares, and power granted under such approval shall be adjusted to such extent accordingly; and

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

NOTICE OF THE AGM

“Right Issue” means an allotment, issue or grant of Shares pursuant to an offer open for a period fixed by the Directors to holders of Shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements of any recognized regulatory body or any stock exchange).”

6. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** conditional upon the passing of the resolutions set out in items 4 and 5 of the notice convening this meeting (the “**Notice**”), the general mandate referred to in the resolution set out in item 5 of the Notice be and is hereby extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the directors pursuant to the power granted under such general mandate of the number of shares repurchased by the Company pursuant to the mandate referred to in resolution set out in item 4 of the Notice, provided that such amount shall not exceed 10% of the total number of issued Shares of the Company as at the date of passing of this resolution.”

7. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** (i) the transactions contemplated under a framework agreement (the “**Framework Agreement**”) entered into between 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)) (as contractor), being an indirect wholly-owned subsidiary of the Company, and Huzhou Canghu Construction Investment Company Limited (湖州滄湖建設投資有限公司) (“**Canghu**”) (as principal), being a company established in the People’s Republic of China and controlled by the controlling shareholders of the Company, on 17 July 2016 in respect of a municipal project, 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), and (ii) the aggregate transaction amount under the Framework Agreement for the year ended 31 December 2017 of approximately RMB230.1 million, which had exceeded the annual cap of RMB170 million in respect of such transactions for the year ended 31 December 2017 as previously estimated by the Directors of the Company and stated in the prospectus of the Company dated 21 March 2017, be and are hereby confirmed, ratified and approved.”

By Order of the Board
Chanhigh Holdings Limited
Peng Tianbin
Chairman

Hong Kong, 24 April 2018

NOTICE OF THE AGM

Notes:

1. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the the Listing Rules. The results of the poll will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chanhigh.com.hk>) in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend and on a poll, vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.

In the case of a poll, every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (i.e. not later than 2:30 p.m. on Wednesday, 23 May 2018) or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the above meeting, the record date will be Monday, 21 May 2018. In order to be eligible to attend and vote at the AGM, all unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 May 2018.
5. In case of joint holders of shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at any meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company.

NOTICE OF THE AGM

6. If a Tropical Cyclone Warning Signal number 8 or above is hoisted or is expected to be hoisted or a black rainstorm warning signal is in force or expected to be in force in Hong Kong at any time between 10:00 a.m. to 2:00 p.m. on the date of the meeting, the meeting will be automatically postponed to a later date. The Company will post an announcement on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chanhigh.com.hk>) to notify shareholders of the date, time and location of the rescheduled meeting. The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force in Hong Kong. Shareholders should in any event exercise due care and caution when deciding to attend the meeting in adverse weather conditions.

As at the date of this notice, the executive Directors are Mr. Peng Tianbin, Mr. Peng Yonghui and Mr. Peng Daosheng, the non-executive Director is Ms. Wang Sufen and the independent non-executive Directors are Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai.