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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	2017	2016
	RMB'000	RMB'000
Revenue	**1,144,539**	1,551,858
Gross profit	**182,047**	194,626
Profit for the year attributable to owners of the Company	**80,328**	108,004
Total comprehensive income for the year attributable to owners of the Company	**80,328**	108,004

The board (the "**Board**") of directors (the "**Directors**") of Chanhigh Holdings Limited (the "**Company**"), hereby presents the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**2017**	2016
		RMB'000	RMB'000
Revenue	4	**1,144,539**	1,551,858
Cost of services rendered		**(956,924)**	(1,333,225)
Business tax and auxiliary charges		**(5,568)**	(24,007)
Gross profit		**182,047**	194,626
Other income and gains		**10,329**	7,675
Administrative and other operating expenses		**(68,898)**	(42,312)
Profit from operations		**123,478**	159,989
Finance costs		**(3,627)**	(9,503)
Profit before tax		**119,851**	150,486
Income tax expense	5	**(39,523)**	(42,482)
Profit for the year attributable to owners of the Company	6	**80,328**	108,004
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year attributable to owners of the Company		**80,328**	108,004
Earnings per share	8		
Basic and diluted		**RMB13.9 cents**	RMB24.0 cents

The Board does not recommend the payment of any dividend for the year (2016: Nil).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	**2017** **RMB'000**	2016 RMB'000
Non-current assets			
Property, plant and equipment		**7,834**	2,448
Available-for-sale financial assets		**13**	64
Total non-current assets		**7,847**	2,512
Current assets			
Trade and other receivables	9	**701,129**	720,599
Gross amount due from customers for contract work	10	**868,377**	694,020
Bank and cash balances		**375,852**	111,308
Total current assets		**1,945,358**	1,525,927
TOTAL ASSETS		**1,953,205**	1,528,439
Equity			
Equity attributable to owners of the Company			
Paid in capital	11	**5,487**	–
Reserves		**798,281**	260,587
Total equity		**803,768**	260,587
Current liabilities			
Trade payables	12	**824,213**	895,397
Accruals and other payables		**80,648**	56,809
Receipt in advance		**18,270**	18,034
Gross amount due to customers for contract work	10	**16,079**	8,994
Amount due to a director		**–**	160,337
Borrowings		**111,000**	61,000
Current tax liabilities		**99,227**	67,281
Total current liabilities		**1,149,437**	1,267,852
TOTAL EQUITY AND LIABILITIES		**1,953,205**	1,528,439

NOTES

1. GENERAL INFORMATION

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

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

The Company's shares (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 31 March 2017 (the "**Listing**").

In the opinion of the Directors, as at 31 December 2017, the Peng Family, comprising Mr. Peng Daosheng, Ms. Wang Sufen, Mr. Peng Tianbin and Mr. Peng Yonghui, is the ultimate controlling party (the "**Controlling Shareholders**") of the Company.

2. BASIS OF PREPARATION

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. The adoption of these new and revised IFRSs did not have any significant effect on the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

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

(i) Information about operating segment profit or loss:

	Landscape construction RMB'000	Municipal works RMB'000	Building works RMB'000	Others RMB'000	Total RMB'000
2017					
External revenue	**351,455**	**475,432**	**241,709**	**75,943**	**1,144,539**
Segment results	**65,973**	**67,695**	**36,658**	**11,721**	**182,047**
2016					
External revenue	628,200	708,783	161,656	53,219	1,551,858
Segment results	94,251	83,877	11,052	5,446	194,626

(ii) Reconciliation of operating segment profit or loss:

	2017 RMB'000	2016 RMB'000
Profit and loss		
Total profits of reportable segments	**182,047**	194,626
Unallocated amounts:		
Interest income	**3,668**	5,914
Government incentives and awards	**6,385**	974
Allowance for trade and other receivables	**(11,593)**	—
Bad debts	**(733)**	—
Depreciation	**(661)**	(486)
Employee benefits expense	**(21,959)**	(9,419)
Finance costs	**(3,627)**	(9,503)
Listing expenses	**(6,179)**	(18,159)
Net exchange loss	**(4,665)**	—
Operating lease charges	**(2,510)**	(1,195)
Others	**(20,322)**	(12,266)
Consolidated profit before tax	**119,851**	150,486

(iii) Geographical information

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

5. INCOME TAX EXPENSE

	2017	2016
	RMB'000	RMB'000
Current tax - PRC		
Provision for the year	**39,523**	42,482

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2016: Nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

As at 31 December 2017, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately RMB16,429,000 (2016: RMB11,926,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing for reversal of the temporary differences and it is probable that such differences will not reverse in foreseeable future.

For the year ended 31 December 2017, one of the subsidiaries of the Company established in the PRC, 宣城市滄海園林工程有限公司 (Xuancheng Chanhigh Municipal Landscape Engineering Limited) ("**Xuancheng Landscape**"), is assessed and paid the PRC Enterprise Income Tax ("**EIT**") on a deemed profit basis which is calculated by first multiplying an applicable percentage determined by the relevant tax authority of 4% (2016: 4%) and then applying a preferential enterprise income tax rate of 20% on 50% reduced assessable profit as Xuancheng Landscape is qualified as a small and low-profit enterprise.

The EIT of other subsidiaries established in the PRC has been provided at a rate of 25% for the year ended 31 December 2017 and 2016 respectively.

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

	2017	2016
	RMB'000	RMB'000
Profit before tax	**119,851**	150,486
Tax at the EIT of 25% (2016: 25%)	**29,963**	37,622
Tax effect of income that is not taxable	**(61)**	(181)
Tax effect of expenses that are not deductible	**9,621**	5,024
Tax effect of using deemed profit method	**—**	17
Income tax expense	**39,523**	42,482

6. PROFIT FOR THE YEAR

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

	2017	2016
	RMB'000	RMB'000
Auditors' remuneration		
– for audit and other services	**1,318**	—
– for listing purposes (included under the listing expenses)	**—**	2,698
	1,318	2,698
Cost of services rendered	**956,924**	1,333,225
Depreciation	**661**	486
Bad debts written off	**733**	—
Allowance for trade and other receivables	**11,593**	—
Reversal of allowance for other reeivables	**(200)**	—
Net exchange loss/(gain)	**4,665**	(9)
Listing expenses	**6,179**	18,159
Operating lease charges - land and buildings	**2,510**	1,195

Cost of services rendered includes staff costs and depreciation of approximately RMB10,508,000 for the year ended 31 December 2017 (2016: RMB12,559,000) which are included in the amounts disclosed separately.

7. DIVIDEND

The Directors did not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

During the year ended 31 December 2016, the Company's subsidiary, namely 浙江滄海建設有限公司（前稱浙江滄海市政園林建設有限公司）(Zhejiang Chanhigh Construction Limited (formerly known as Zhejiang Chanhigh Municipal Landscape Construction Limited)) ("**Chanhigh Construction**"), made the following distributions to its then shareholders:

	2017	2016
	RMB'000	RMB'000
Dividends declared and paid/payable to its then shareholders by:		
Chanhigh Construction	–	14,782

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful for the year ended 31 December 2016.

8. EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have been issued and allocated on 1 January 2016 as if the Company had been established by then.

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

	2017	2016
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**80,328**	108,004
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation (thousand shares)	**576,097**	449,998

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

9. TRADE, BILLS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	RMB'000
Trade and bills receivables		
Trade receivables	**510,331**	512,540
Less: Allowance for trade receivables	**(11,037)**	—
	499,294	512,540
Bill receivables	**1,910**	1,300
	501,204	513,840
Deposits	**7,831**	—
Prepayments		
Advance of suppliers	**6,367**	4,812
Listing expenses	**—**	4,765
Administrative and operating expenses	**456**	—
	6,823	9,577
Other receivables		
Construction contracts performance guarantees and deposit for tender	**118,771**	115,999
Retentions receivables (note 1)	**62,028**	78,239
Others	**4,472**	2,944
	185,271	197,182
	701,129	720,599

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

The aging analysis of trade and bills receivables, based on the contract terms for the works certified is as follows:

	2017	2016
	RMB'000	RMB'000
0 to 90 days	**110,117**	180,870
91 to 180 days	**56,909**	76,059
181 to 365 days	**142,780**	86,373
Over 1 year but less than 2 years	**93,014**	89,521
Over 2 years but less than 3 years	**51,524**	63,718
Over 3 years	**46,860**	17,299
	501,204	513,840

The movement in the allowance for trade receivables is as follows:

	2017	2016
	RMB'000	RMB'000
Balance at the beginning of year	**—**	—
Allowance for the year	**11,037**	—
Balance at the end of year	**11,037**	—

The carrying amount of the Group's trade and bills receivables are all denominated in RMB.

The movement in the allowance for bad and doubtful debts of other receivables is as follows:

	2017	2016
	RMB'000	RMB'000
Balance at the beginning of year	**1,040**	1,040
Allowance for the year	**556**	—
Reversal for the year	**(200)**	—
Balance at the end of year	**1,396**	1,040

Note:

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

	2017	2016
	RMB'000	RMB'000
Not yet due	**20,661**	40,211
Within 1 year	**26,424**	29,989
Over 1 year but less than 2 years	**14,943**	8,039
	62,028	78,239

10. GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017	2016
	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**5,143,464**	4,236,842
Less: Progress billings	**(4,291,166)**	(3,551,816)
	852,298	685,026
Gross amount due from customers for contract work	**868,377**	694,020
Gross amount due to customers for contract work	**(16,079)**	(8,994)
	852,298	685,026

In respect of construction contracts in progress at 31 December 2017, retentions receivables included in other receivables are RMB62,028,000 (2016: RMB78,239,000), in which RMB12,450,000 (2016: RMB35,274,000) is expected to be recovered after more than twelve months.

Advances received in respect of construction contracts at 31 December 2017 amounted to RMB18,270,000 (2016: RMB18,034,000).

11. PAID IN CAPITAL

	Note	Number of shares '000	Amount HK$'000	RMB'000
Authorised:				
Ordinary shares of HK$0.01 per share at 1 April 2016 (date of incorporation), 31 December 2016 and 1 January 2017	(a)	38,000	380	317
Increase of authorised share capital	(c)	1,962,000	19,620	17,416
At 31 December 2017		2,000,000	20,000	17,733
Issued and fully paid:				
Upon incorporation on 1 April 2016	(a)	–	–	–
Issue of 1,998 shares at nil paid	(b)	2	–	–
At 31 December 2016 and 1 January 2017		2	–	–
Issue of shares for capitalisation of amount due to a director	(c)	2	–	–
Share capitalisation	(e)	449,996	4,500	3,994
Global offering of shares	(d)	150,000	1,500	1,329
Issue of Over-allotment Shares	(f)	18,502	185	164
At 31 December 2017		618,502	6,185	5,487

Note:

(a) The Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 1 April 2016 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, the initial subscribing shareholder transferred the one issued share to Vast Base Investments Limited ("**Vast Base**") at par and allotted and issued one issued share to TEUR Holdings Limited ("**TEUR**") at par.

(b) On 11 April 2016 each of Vast Base and TEUR transferred one ordinary share of Chanhigh Investments Limited to the Company in consideration of the Company allotted and issued 999 ordinary shares of HK$0.01 each of the Company to Vast Base and TEUR respectively.

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

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

(d) Pursuant to written resolutions passed on 15 March 2017, the shareholders of the Company approved the allotment and issue of 150,000,000 new ordinary shares of HK$0.01 each of the Company (the "**New Shares**") in connection with the global offering of shares by the Company (the "**Global Offering**"). 150,000,000 New Shares, issued on 30 March 2017, at HK$2.17 each. The premium on the issue of 150,000,000 New Shares, net of listing related expenses, amounting to approximately RMB267,665,000 was credited to the Company's share premium account. These 150,000,000 New Shares were fully paid-up, rank pari passu in all respects with the existing issued and fully paid-up shares of the Company.

(e) Pursuant to written resolutions passed on 15 March 2017, the shareholders of the Company approved as a result of the issuance of the New Shares pursuant to the Global Offering as mentioned in note (d) above, an amount of HK$4,499,960 standing to the credit of the share premium account of the Company was capitalised by applying such sum forwards paying up in full at par for allotment and issue to each of Vast Base and TEUR 224,998,000 ordinary shares respectively before the completion of the Global Offering.

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

12. TRADE PAYABLES

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

	2017	2016
	RMB'000	RMB'000
0 to 90 days	**75,802**	189,706
91 to 180 days	**14,508**	92,796
181 to 365 days	**212,660**	233,401
Over 1 year but less than 2 years	**260,930**	289,616
Over 2 years but less than 3 years	**223,132**	55,917
Over 3 years	**37,181**	33,961
	824,213	895,397

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

With the acceleration of urbanization and increasing demand for higher living standard of people in the city, the global landscaping industry has developed rapidly. In China, the development of classical landscaping has been more than 3,000 years. It has been wide-ranging and profound and has a long history. After the reform and opening-up, with the rapid economic and social development, the continuous advancement of the urbanization process, and the increasingly intensive exchanges with foreign countries, the modern urban landscaping industry has also achieved considerable development in China.

In 2017, the report to the Nineteenth Congress of the Communist Party of China has explicitly pointed out that the country must speed up reform of the system for developing an ecological civilization and building a beautiful China, implement green development efforts, firmly establish the socialist eco-civilization, and promote the harmonious co-existence between man and nature in order to protect the ecological environment of our generation. With emphasis on environmental protection of the country, people's understanding and demand for landscaping have gradually deepened. Garden landscaping, as one of the urban infrastructure, continues to develop with urbanization; higher levels of functional requirements to promote the continuous development of municipal garden landscaping. Eco-environmental awareness promotes the sustainable development of the ecological landscape construction industry; the construction trend of "sponge city" drives the development of the ecological landscape construction industry; the creation of "National Garden City", "National Ecological Garden City" and "National Forest City" has brought new opportunities for the landscape construction industry. The country has actively promoted the Public-Private-Partnership ("PPP") model and bring new opportunities for the landscaping industry and the construction of featured towns will bring new opportunities for the landscape industry. In summary, the potential and market trend of the landscaping industry are still very positive and the market outlook is promising.

As the provider of outstanding landscape and municipal works construction services, we have developed rapidly in the past few years, with a leading domestic standard and has a full range of construction contracting qualifications, outstanding project undertaking capacity, and strong tendering and bidding abilities. In April 2017, the State abolished the qualification of landscaping, which meant lowering the entry bonier for the landscaping industry and thus increase pressure on competition, while high temperature weather and a series of environmental protection inspections continued in the second-half of 2017. These investigation measures have caused a certain degree of adverse impact on the Group's ability to undertake projects and construction progress in the second half of the year. However, with the efforts of all employees of our Group, we took the above competitions and challenges as opportunities, and continue to explore and innovate, gaining market share, and improve our Group's sustainability.

In early 2018, we successfully acquired 興鋒盈（福建）建設有限公司 (Xing Feng Ying (Fujian) Construction Company Limited) ("XFY Construction"), obtaining the first-grade qualification in water works, enhanced our asset strength and expanding our business scope. We have increased cooperation with developers and contractors in the private sector and develop different forms of cooperation with local governments, such as establishment of a strategic cooperation framework agreement with the People's Government of Qingzhou City, Shandong Province, in order to consolidate customer base of our Group's business; and we always value the introduction and training of talents and strengthen team building to enhance the wisdom of the Group.

At the same time, building on the infrastructure greening business, we secured the opportunity to develop and standardize PPP projects, and optimize the environmental aspect of PPP projects. We endeavored to participate in the project and establish strict internal procedures for the landscaping selection, risk identification, cash flow management, project implementation and post-project management in order to achieve rapid and steady development.

At present, we have successfully transformed into an integrated operation and development enterprise combining investment, design, construction and operation. We set foot on capital market and gradually expanded our overall strength through investment, acquisitions and mergers to achieve diversified business development and strive to emerge in the highly competitive landscaping market. With the advantages of capital, qualification, brand and resources, we have gained an increased market share and reached a new level.

PROSPECTS

In terms of development trend of the industry as a whole, the potential and market trend of the landscaping industry are still very clear and its outlook is promising. The macro-focus includes urbanization planning, the Yangtze River Economic Belt, the New Silk Road Economic Belt, the Maritime Silk Road, the integration of Beijing, Tianjin and Hebei, etc.; infrastructure investment focuses on urbanization and shanty towns transformation, real estate landscape, green channels construction; ecological restoration and environmental governance. The "six major directions" of the national strategy for ecological construction, covering investment in air purification, water purification, food safety, soil remediation, management of sand storm sources, and roof and three-dimensional greening; especially air pollution (fog), water pollution, soil pollution, and other ecological environmental degradation forcing the implementation of environmental governance, and the country has invested heavily; and the rise of tourism and leisure resort industries have also stimulated the construction of gardens and development of tourism cities.

Riding on to the favorable macro environment, we combined the experiences in municipal works and landscaping with the professional and dedicated team, to conduct a comprehensive market analysis and define market position. We strictly follow the "One Belt One Road" Initiative, the Ningbo's development plan and focus on the municipal roads, landscaping and water works and hydropower, as well as the real estate development. We constantly enhance our core market competitiveness, and promote the rapid development of our business. We believe that our Goup is about to enter a stage of rapid development.

In addition, the large-scale governmental landscaping and municipal construction projects in 2017 adopted the PPP structure extensively. We are constantly seeking partners and have signed strategic cooperation agreements with Shanghai International Trust Co., Ltd. (上海國際信託有限公司) and Shanghai Aijian Trust Co., Ltd. (上海愛建信託有限責任公司). We have established a strategic cooperation framework with the People's Government of Qingzhou City, Shandong Province and set up regional networks in Yunnan, Guizhou, Fujian, Shandong, Jiangsu, and Xinjiang. Beside seeking relevant diversified development in the existing upstream and downstream industrial chain, and ensure our scientific planning for development, we also firmly secure the rare supporter of PPP, which emphasizes the whole life cycle and package solutions, and strive to achieve integration and expansion of upstream and downstream industries, as well as promoting the reform of the business model and gradually integrate internal resources. We participate in the preliminary planning, design and financing, and post-operational management and continue to expand both upstream and downstream of the industry and extends the value chain. We highly regarded and actively participated in the PPP business as an important way to implement new development concepts and supply-side structural reforms, as well as industrial restructuring and transformation and upgrading.

Finally, we are committed to adopt the advanced corporate management model, enhance our brand value and core competitiveness, and strive to become a leading company in the industry.

FINANCIAL REVIEW

Revenue

Our revenue decreased by 26.3% or RMB407.4 million from RMB1,551.9 million for 2016 to RMB1,144.5 million for 2017, which was primarily due to the decrease in revenue from the landscape construction and municipal works construction segments in 2017.

Landscape construction

Our Group recorded a decreasing trend on revenue from the landscape construction segment, decreasing from RMB628.2 million for 2016 to RMB351.5 million for 2017, representing a decrease of RMB276.7 million or 44.0%, primarily attributable to the decrease in total number of landscape construction projects undertaken in 2017.

Municipal works construction

Our Group recorded a decreasing trend on revenue from the municipal works construction segment, decreasing from RMB708.8 million for 2016 to RMB475.4 million for 2017, representing a decrease of 32.9% or RMB233.4 million, primarily attributable to the decrease in total number of municipal works construction projects undertaken in 2017.

Building works

Our Group experienced an increase in revenue from the building works segment by RMB80.0 million or 49.5% from RMB161.7 million for 2016 to RMB241.7 million for 2017, primarily attributable to the increase in the average contract value of new building works construction projects in 2017.

Others

Revenue from the others segment increased by 42.7% or RMB22.7 million from RMB53.2 million for 2016 to RMB75.9 million for 2017, primarily attributable to an increase in the project amount of a relatively large size decoration project undertaken in 2017.

Cost of services rendered

Cost of service rendered decreased by 28.2% or RMB376.3 million from RMB1,333.2 million for 2016 to RMB956.9 million for 2017. Cost of materials consumed decreased by 34.9% or RMB302.5 million from RMB867.5 million for 2016 to RMB565.0 million for 2017, primarily attributable to the decrease in plants and saplings consumed mainly resulting from a decrease in our revenue from the landscape construction and municipal works construction segments. Cost of direct wages increased by 1.9% or RMB4.6 million from RMB236.6 million for 2016 to RMB241.2 million for 2017, primarily attributable to (i) the increase in average wages in the PRC labour market in 2017; and (ii) partially offset by the decrease in the total number of projects undertaken by us in 2017. Leasing of equipment and machineries decreased by 37.9% or RMB74.2 million from RMB195.8 million for 2016 to RMB121.6 million for 2017, primarily attributable to the decrease in the total number of projects undertaken in 2017. Cost of depreciation remained unchanged at RMB0.4 million for 2017 from RMB0.4 million for 2016. Cost of other direct cost decreased by 12.8% or RMB4.2 million from RMB32.9 million for 2016 to RMB28.7 million for 2017, generally in line with the decrease in our cost of services rendered in 2017.

Business tax and auxiliary charges

Business tax and auxiliary charges decreased by 76.7% or RMB18.4 million from RMB24.0 million for 2016 to RMB5.6 million for 2017, representing approximately 1.5% of our revenue during the same period in 2016, and reduced to representing 0.5% of our revenue during the same period in 2017. The decrease was primarily due to the fact that business tax has been changed to value-added tax pursuant to the PRC tax reform effective since May 2016.

Gross profit and gross profit margin

Our gross profit decreased by 6.5% or RMB12.6 million from RMB194.6 million for 2016 to RMB182.0 million for 2017. Our gross profit margin increased from 12.5% in 2016 to 15.9% in 2017, primarily attributable to having selection criteria with higher profit margin for tenders since the listing of the Group in March 2017.

Other income and gains

Other income and gains increased by 34.6% or RMB2.6 million from RMB7.7 million for 2016 to RMB10.3 million for 2017, primarily attributable to: (i) since the listing of the Company in March 2017, the Company has received the incentive fees for listing of RMB6.0 million from the government; (ii) interest of RMB3.6 million on bank deposits mainly from funds raised from the listing in 2017; and (iii) the interest income from related parties in 2016 was RMB5.5 million, whereas no such income was recorded in 2017, which partially offset the growth brought by the first two income items.

Administrative and other operating expenses

Our administrative expenses increased by 62.9% or RMB26.6 million from RMB42.3 million for 2016 to RMB68.9 million for 2017, primarily attributable to: (i) as there was an increase in staff salary, thereby resulting in an increase of RMB12.5 million in staff salary, social security and welfare benefits; (ii) allowance for trade and other receivables of RMB11.6 million; and (iii) an exchange loss of RMB4.7 million.

LIQUIDITY AND CAPITAL RESOURCES

	2017	2016
Cash and cash equivalents (RMB'000)	**371,703**	108,065
Current ratio	**1.7**	1.2
Gearing ratio	**0.1**	0.2

As at 31 December 2017, the Group's current ratio (based on the total current assets as at the respective year ends divided by the total current liabilities as at the respective period ends) was 1.7.

As at 31 December 2017, the Group's gearing ratio (based on the total debt as at the respective year ends divided by total equity as at the respective period ends) was 0.1.

The improvement in current ratio and gearing ratio was mainly attributable to issuance of new shares as a result of the Listing.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

On 8 December 2017, the Group entered into an acquisition agreement to acquire the entire equity interests in XFY Construction with a total cash consideration of RMB76,000,000 (tax inclusive). This transaction was funded by the net proceeds from the Global Offering. According to the terms of the acquisition agreement, 10% of consideration representing RMB7,600,000 and 90% of consideration representing RMB68,400,000 were paid on 15 December 2017 and 17 January 2018 respectively.

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

Operating lease commitments

As at 31 December 2017 and 2016, the Group had commitments for future minimum lease payments in respect of the Group's offices under non-cancellable operating lease arrangements, which fall due as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**3,388**	1,641
In the second to fifth year inclusive	**1,417**	300
Over five years	**2**	3
Total	**4,807**	1,944

Capital commitments

As at 31 December 2017, the Group had a capital commitment amounting to RMB68,400,000 in relation to aforesaid acquisition of equity interests in XFY Construction. The Group did not have any significant capital commitment as at 31 December 2016.

INDEBTEDNESS

Borrowings

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

	2017	2016
	RMB'000	RMB'000
Short-term bank borrowings	**111,000**	61,000

The average interest rates per annum as at 31 December 2017 was 4.93%.

Except as disclosed above, as at 31 December 2017 and 2016, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board of the Stock Exchange on 31 March 2017 (the "**Listing Date**") with net proceeds received by the Company from the Listing in the amount of approximately HK$337.8 million after deducting underwriting commissions and all related expenses.

Since the Listing Date and up to the date of this announcement, the net proceeds amounting to RMB76 million from the Listing were used for acquisition of equity interests in XFY Construction as detailed in section headed "CAPITAL EXPENDITURES AND COMMITMENTS". The remaining net proceeds are currently held in bank deposits and it is intended that they will be applied in the manner consistent with the proposed allocation in the Company's announcement dated 8 December 2017.

FINAL DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2017.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the reporting period (i.e. the year ended 31 December 2017) and up to the date of this announcement.

NO MATERIAL CHANGE

During the year ended 31 December 2017, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE HIGHLIGHTS

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "**CG Code**") as its own code of corporate governance with effect on 31 March 2017, the Listing Date. The Board is of the opinion that the Company has complied with all applicable code provisions under the CG Code since the Listing Date.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Shares were listed on the Stock Exchange on 31 March 2017. None of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding the Directors' securities transactions with effect from 31 March 2017, being the Listing Date.

All Directors have confirmed that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct during the period from the Listing Date to the date of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is tentatively scheduled to be held on Friday, 25 May 2018. Notice of the annual general meeting will be published and issued to shareholders in due course.

BOOK CLOSURE

The transfer books and register of members of the Company will be closed from Monday, 21 May 2018 to Friday, 25 May 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 18 May 2018.

AUDIT COMMITTEE

In compliance with the Listing Rules, the Company has an audit committee comprising three independent non-executive Directors, namely Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai (the "Audit Committee"). The Audit Committee has reviewed the accounting policies adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the consolidated results of the Group for the year ended 31 December 2017.

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited consolidated financial statements for the year ended 31 December 2017, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, RSM Hong Kong.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.chanhigh.com.hk. The Company's annual report for the year ended 31 December 2017 will be despatched to shareholders of the Company and published on the aforementioned websites in due course.

APPRECIATION

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

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

Hong Kong, 26 March 2018

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