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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) DISCLOSEABLE TRANSACTION
AND
(2) CHANGE IN USE OF PROCEEDS**

DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on 8 December 2017, the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Acquired Interest for an aggregate cash consideration of RMB76,000,000 (tax inclusive).

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

CHANGE IN USE OF PROCEEDS

Reference is made to the Prospectus and the Partial Exercise Announcement. The Board would like to announce that the Company has decided to change the use of net proceeds from the Global Offering in the manner set out in this announcement.

DISCLOSEABLE TRANSACTION

INTRODUCTION

The Board is pleased to announce that on 8 December 2017, the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Acquired Interest for an aggregate cash consideration of RMB76,000,000 (tax inclusive).

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are as follows:

Date:

8 December 2017

Parties:

- (i) The Purchaser; and
- (ii) The Vendor.

The Company is principally engaged in landscape and municipal works construction and maintenance services. The Vendor is principally engaged in water works and hydropower projects construction.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is a third party independent of and not connected with the Company and its connected persons.

SUBJECT MATTER OF THE ACQUISITION

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Acquired Interest for an aggregate cash consideration of RMB76,000,000 (tax inclusive). The Acquired Interest represents the entire registered capital of the Target Company which will be established by the Vendor pursuant to the Acquisition Agreement and will hold the Qualification, being the First-Grade General Contractor for Water Works and Hydropower Projects Qualification (水利水電工程施工總承包壹級資質) in the PRC.

CONSIDERATION

The total consideration for the Acquisition is RMB76,000,000 (tax inclusive), which shall be payable by the Purchaser to the Vendor in the following manner: (a) the Deposit of RMB7,600,000 being 10% of the total consideration will be deposited into the Joint Account within five business days after the setup of the Joint Account, and be released from the Joint Account to the Vendor within three business days after the establishment of the Target Company; (b) RMB45,600,000 being 60% of the total consideration will be deposited into the Joint Account within three business days after completion of the transfer of the Qualification into the Target Company, and be released from the Joint Account to the Vendor within three business days after acceptance of share transfer documents of the Target Company by the relevant local government authorities; and (c) remaining balance of RMB22,800,000 being 30% of the total consideration will be deposited into the Joint Account within three business days after acceptance of share transfer documents by the relevant local government authorities, and be released from the Joint Account to the Vendor within three business days after the Completion.

The consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor, taking into account the entry barrier in obtaining the Qualification and the prospect of the relevant industry. After considering the above, the Directors consider that the entering into of the Acquisition Agreement and the transaction contemplated thereunder (including the terms and conditions of the Acquisition Agreement, particularly the consideration and the payment terms) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Acquisition will be funded by the net proceeds from the Global Offering.

COMPLETION

Following Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

TERMINATION OF THE ACQUISITION

If the Acquisition is terminated due to the reasons attributable to the Vendor, the Vendor shall refund to the Purchaser the Deposit and any other amounts paid by the Purchaser together with a compensation equivalent to 10% of the Deposit.

If the Acquisition is terminated due to the reasons attributable to the Purchaser, the Vendor shall refund to the Purchaser all amounts paid by the Purchaser after deducting the Deposit as compensation.

If there are any changes in relevant laws and regulations or events of force majeure which prevent the performance of the Acquisition Agreement, (i) the Purchaser and Vendor shall negotiate to terminate the Acquisition, and (ii) the Vendor shall refund the Purchaser the consideration received without any compensation and interest.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE ACQUISITION

In light of the increasing popularity in adopting of the PPP arrangement in large-scale government construction projects, which bundle different types of construction works into one single project and require the private partner possessing various construction qualification and certificates, the Board considers that the Acquisition will enable the Group to increase its competitiveness in bidding for tenders for municipal projects and broaden the Group's income base and thus enhancing the financial performance of the Group. In addition, after the Completion, the Group will be able to expand into construction of large-scale municipal projects bundling complex water utility and drainage constructions. On this basis, the Directors consider that the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

CHANGE IN USE OF PROCEEDS

Reference is made to the Prospectus and the Partial Exercise Announcement.

The Board would like to announce that the Company has decided to change the use of net proceeds from the Global Offering in the manner set out in this announcement to enhance the Company's fund management and the utilisation efficiency of the net proceeds from the Global Offering to support the Group's operation.

USE OF PROCEEDS

The net proceeds from the Global Offering, after taking into account the partial exercise of the Over-allotment Option and after deducting the underwriting fees, commissions and other expenses in relation thereto, were approximately HK\$315.3 million. The actual net proceeds from the Global Offering of approximately HK\$315.3 million was higher than the estimated net proceeds of approximately HK\$271.2 million as disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus, which was based on the Offer Price of HK\$2.13 per Offer Share, being the mid-point of the indicative Offer Price range and did not take into account the additional net proceeds of approximately HK\$38.9 million as a result of the partial exercise of the Over-allotment Option as disclosed in the Partial Exercise Announcement.

In light of the difference between the actual and estimated amount of the net proceeds from the Global Offering, the Company has adjusted the use of net proceeds received from the Global Offering in the same manner and in the same proportion as disclosed in the Prospectus and the Partial Exercise Announcement for the following purposes:

- (i) approximately 62.1% or HK\$195.8 million will be used to fund the potential acquisition or establishment through joint ventures of two local landscape construction companies located in Central China and Pearl River Delta possessing first-grade urban landscape construction enterprise qualification certificate;
- (ii) approximately 29.0% or HK\$91.4 million will be used to fund the potential acquisition of or strategic investment in architectural design firm(s) located in Yangtze River Delta possessing first-grade qualification in architectural design;
- (iii) approximately 2.5% or HK\$7.9 million will be used to fund the potential acquisition or establishment of a new inspection centre accredited with the qualification(s) to carry out inspection, analysis and testing on the incoming materials to be used for construction, and/or inspection and supervision of construction works; and
- (iv) approximately 6.4% or HK\$20.2 million will be used as working capital and other general corporate purposes.

THE PROPOSED CHANGE

For reasons set out in the paragraph headed “Reasons for the Proposed Change” below in this announcement, the Board (after consulting and considering the recommendation of the Strategy Committee) resolved to change the proposed use of the net proceeds from the Global Offering as follows:

	Original allocation of the net proceeds <i>(HK\$ million)</i>	Utilised amount (as at the date of this announcement) <i>(HK\$ million)</i>	Original allocation of unutilised amount (before the Proposed Change) <i>(HK\$ million)</i>	Adjusted allocation as at the date of this announcement <i>(HK\$ million)</i>
Acquisition or establishment through joint ventures of two landscape construction companies in Central China and the Pearl River Delta possessing the first-grade urban landscape construction enterprise qualification certificate	195.8	—	195.8	—
Acquisition of construction companies possessing first-grade qualification and certificates in municipal projects, including but not limited to highway projects and water projects	—	—	—	195.8
Acquisition of or strategic investment in architectural design firm(s) in the Yangtze River Delta possessing first-grade qualification in architectural design	91.4	—	91.4	91.4
Acquisition or establishment of a new inspection centre accredited with the qualification(s) to carry out inspection, analysis and testing on the incoming materials to be used for construction, and/or inspection and supervision of construction works	7.9	—	7.9	7.9
General working capital	<u>20.2</u>	<u>5.3</u>	<u>14.9</u>	<u>14.9</u>
	<u><u>315.3</u></u>	<u><u>5.3</u></u>	<u><u>310.0</u></u>	<u><u>310.0</u></u>

REASONS FOR THE PROPOSED CHANGE

The Company originally planned to use approximately 62.1% of the net proceeds from the Global Offering, which amounted to approximately HK\$195.8 million, for the acquisition or establishment through joint ventures of two local landscape construction companies located in Central China and the Pearl River Delta possessing the first-grade urban landscape construction enterprise qualification certificate. Pursuant to the Notice on the Administration of Abolishing the Approval Requirement on the Urban Landscape Construction Enterprise Qualification Certificate by the Office of the Ministry of Housing and Urban-Rural Development (Jian Ban Cheng [2017] No. 27) (《住房城鄉建設部辦公廳關於做好取消城市園林綠化企業資質核準行政許可事項相關工作的通知(建辦城[2017]27號)》) promulgated on 13 April 2017, the contractor of landscape construction is no longer required to hold the Urban Landscape Construction Enterprises Qualification. In view of such a change in government policy, the Board considers that it is not in the interests of the Company and the Shareholders to utilise the net proceeds of the Global Offering in the acquisition of construction companies possessing the first-grade urban landscape construction enterprise qualification certificate.

In addition, the Board notices that there is increasing popularity in adopting the PPP arrangement in large-scale government construction projects, which bundle different types of construction works into one single project and require the private partner possessing various construction qualification and certificates, and considers that the Company should acquire construction companies possessing first-grade qualification and certificates in various municipal works, including but not limited to highway projects and water projects to increase the competitiveness of the Group in bidding for tenders of municipal projects.

After consulting and considering the recommendation of the Strategy Committee which is responsible for monitoring the application of the net proceeds from Global Offering, the Board (including the independent non-executive Directors) confirms that there are no material changes in the nature of business of the Group as set out in the Prospectus and considers that the Proposed Change will facilitate efficient use of the financial resources of the Group and strengthen the future development of the Group and is in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meaning:

“Acquired Interest”	the entire registered capital of the Target Company
“Acquisition”	acquisition of the Acquired Interest
“Acquisition Agreement”	the sale and purchase agreement entered into between the Purchaser and the Vendor dated 8 December 2017 in relation to the Acquisition
“Board”	the board of Directors
“Company”	Chanhigh Holdings Limited (滄海控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Deposit”	a deposit of RMB7,600,000 being 10% of the total consideration of the Acquisition
“Director(s)”	the director(s) of the Company
“Global Offering”	the public offering of the Shares for the listing on the Main Board of the Stock Exchange on 31 March 2017
“Group”	the Company and its subsidiaries
“Joint Account”	a bank account jointly opened under the names of both the Purchaser and the Vendor
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Offer Price”	the price for each Offer Share pursuant to the Global Offering as set out in the Prospectus

“Offer Share(s)”	Share(s) issued by the Company pursuant to the Global Offering and pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the over-allotment option described in the Prospectus
“Partial Exercise Announcement”	the announcement dated 24 April 2017 issued by the Company in relation to the partial exercise of the Over-allotment Option
“Parties”	the Purchaser and the Vendor
“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
“PRC”	People’s Republic of China (for the purpose of this announcement, excluding Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Proposed Change”	proposed change in the use of the net proceeds from the Global Offering in the manner set out in this announcement
“Prospectus”	the prospectus dated 21 March 2017 issued by the Company relating to the Global Offering
“Purchaser”	浙江滄海實業投資有限公司 (Zhejiang Chanhigh Industrial Investment Company Limited*), a wholly-owned subsidiary of the Company, or a direct/indirect wholly-owned subsidiary of 浙江滄海實業投資有限公司 (Zhejiang Chanhigh Industrial Investment Company Limited*)
“Qualification”	First-Grade General Contractor for Water Works and Hydropower Projects Qualification (水利水電工程施工總承包壹級資質)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy Committee”	the strategy committee of the Company, comprising Mr. Peng Tianbin, an executive Director, Mr. Peng Yonghui, an executive Director, and Mr. Fan Rong, an independent non-executive Director
“Target Company”	a wholly-owned subsidiary to be established by the Vendor in the PRC pursuant to the Acquisition Agreement which will hold the Qualification
“Vendor”	興鋒盈(福建)集團有限公司 (Xing Feng Ying (Fujian) Group Company Limited*)

By order of the Board
Chanhigh Holdings Limited
Peng Tianbin
Chairman

Hong Kong, 8 December 2017

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.

* *Literal translation of the Chinese Name*