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CHANHIGH HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2017)

**ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Revenue	1,768,762	1,594,568
Gross profit	154,998	137,288
Profit for the year	31,300	22,597
Profit/(loss) and total comprehensive income for the year attributable to:		
Owners of the Company	31,410	23,030
Non-controlling interests	(110)	(433)

The board (the “**Board**”) of directors (the “**Directors**”) of Chanhigh Holdings Limited (the “**Company**”), hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Year**”) together with the comparative figures for the year ended 31 December 2020. The Group’s unaudited financial information in this announcement was prepared based on the unaudited consolidated financial statements of the Group for the Year.

Due to stringent restrictions on travel and logistics in Mainland China and Hong Kong as a result of the recent COVID-19 surge, certain key audit procedures, e.g. audit confirmations, have not been completed as scheduled. The unaudited annual results for the Year presented herein have not been agreed with the of the Company’s auditors (the “**Auditors**”). The unaudited annual results in this announcement have been reviewed by the audit committee of the Company. An announcement relating to the audited results will be made when the auditing process is completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Revenue	4	1,768,762	1,594,568
Cost of services rendered		(1,607,246)	(1,448,696)
Sales related tax and auxiliary charges		(6,518)	(8,584)
Gross profit		154,998	137,288
Other income and gains		9,926	13,440
Administrative and other operating expenses		(66,673)	(62,238)
Impairment loss on trade, bills and other receivables and contract assets, net		(29,841)	(32,712)
Profit from operations		68,410	55,778
Finance costs		(28,889)	(26,081)
Share of loss of an associate		(127)	–
Profit before tax		39,394	29,697
Income tax expense	5	(8,094)	(7,100)
Profit for the year	6	31,300	22,597
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		31,300	22,597
Profit/(loss) and total comprehensive income for the year attributable to:			
Owners of the Company		31,410	23,030
Non-controlling interests		(110)	(433)
		31,300	22,597
Earnings per share			
Basic and diluted (RMB cents per share)	7	5.1	3.7

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		27,125	27,094
Right-of-use assets		1,608	2,623
Intangible assets		125,953	123,758
Investment in an associate		24	–
Total non-current assets		154,710	153,475
Current assets			
Trade, bills and other receivables	8	804,956	810,121
Contract assets		976,791	954,564
Bank and cash balances		353,751	302,983
Total current assets		2,135,498	2,067,668
TOTAL ASSETS		2,290,208	2,221,143
EQUITY			
Equity attributable to owners of the Company			
Share capital	9	5,487	5,487
Reserves		901,565	870,155
		907,052	875,642
Non-controlling interests		6,723	6,833
Total equity		913,775	882,475
LIABILITIES			
Non-current liabilities			
Lease liabilities		638	2,081
Borrowings		104,796	113,443
Total non-current liabilities		105,434	115,524
Current liabilities			
Trade payables	10	329,230	324,268
Accruals and other payables		148,946	142,793
Contract liabilities		84,833	69,958
Lease liabilities		1,443	1,591
Borrowings		584,000	566,483
Current tax liabilities		122,547	118,051
Total current liabilities		1,270,999	1,223,144
TOTAL EQUITY AND LIABILITIES		2,290,208	2,221,143

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 works, building works and landscape construction, and related services.

In the opinion of the Directors, as at 31 December 2021, the Peng Family, comprising Mr. Peng Daosheng, Ms. Wang Sufen, Mr. Peng Tianbin and Mr. Peng Yonghui, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

The unaudited 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 unaudited consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

These unaudited consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2020 except for the adoption of the new/revised IFRSs that are relevant to the Group and effective from the Year as detailed in Note 3.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has applied the following amendments to IFRSs issued by IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the unaudited consolidated financial statements:

Amendments to IFRS 16	COVID-19 Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current year has no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the unaudited consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue is mainly derived from contracts with customers.

(i) Information about operating segment profit or loss:

	Landscape construction <i>RMB'000</i>	Municipal works construction <i>RMB'000</i>	Building works <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
2021 (Unaudited)					
External revenue	611,060	570,157	525,588	61,957	1,768,762
Segment results	<u>51,055</u>	<u>66,636</u>	<u>22,288</u>	<u>15,019</u>	<u>154,998</u>
2020 (Audited)					
External revenue	354,759	552,746	629,647	57,416	1,594,568
Segment results	<u>34,400</u>	<u>64,757</u>	<u>27,036</u>	<u>11,095</u>	<u>137,288</u>

(ii) Reconciliation of operating segment profit or loss:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Profit and loss		
Total profits of reportable segments	154,998	137,288
Unallocated amounts:		
Interest income	6,110	5,936
Government subsidy, incentives and awards	1,938	1,717
Depreciation of property, plant and equipment	(3,923)	(3,342)
Depreciation of right-of-use assets	(1,015)	(760)
Amortisation of intangible assets	(4,404)	(4,404)
Finance costs	(28,889)	(26,081)
Operating lease charges	(2,543)	(2,716)
Net exchange gain/(loss)	147	(731)
Staff costs	(37,420)	(30,392)
Research and development expenditure	(863)	(2,745)
Impairment loss on trade, bills and other receivables and contract assets, net	(29,841)	(32,712)
Others	<u>(14,901)</u>	<u>(11,361)</u>
Consolidated profit before tax	<u>39,394</u>	<u>29,697</u>

(iii) Geographical information

Based on the locations of the customers, all revenue is earned in the PRC.

5. INCOME TAX EXPENSE

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Current tax – PRC		
Provision for the year	<u>8,094</u>	<u>7,100</u>

The PRC Enterprise Income Tax (“**PRC EIT**”) of all the PRC subsidiaries have been provided at a rate of 25% (2020: 25%).

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2.0 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the Year (2020: Nil).

For the Year and last year, one of the subsidiaries of the Company, Zhejiang Zhanhai Industrial Company Limited (浙江展海實業有限公司) (“**Zhejiang Zhanhai**”), is qualified as a small and low profit enterprise in the PRC. Zhejiang Zhanhai is assessed the PRC EIT on the following basis: if its annual taxable income is less than RMB1.0 million, the applicable enterprise income tax rate determined by the relevant authority is 5%; if its annual taxable income is more than RMB1.0 million but less than RMB3.0 million, the applicable enterprise income tax rate is 20% with preferential concession by 50%.

One of the subsidiaries of the Company incorporated in the PRC, Zhejiang Chanhigh Construction Limited (浙江滄海建設有限公司) (“**Chanhigh Construction**”) had obtained the qualification of High and New Technology Enterprise with a validation period of three years starting from 2020. The applicable income tax rate for Chanhigh Construction was 15% for the Year (2020: 15%).

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.

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Profit before tax	<u>39,394</u>	<u>29,697</u>
Tax at the EIT of 25% (2020: 25%)	9,848	7,424
Tax effect of different tax rates	(4,975)	(4,491)
Tax effect of income that is not taxable	(2)	(50)
Tax effect of expenses that are not deductible	3,483	4,604
Preferential tax treatment	<u>(260)</u>	<u>(387)</u>
Income tax expense	<u>8,094</u>	<u>7,100</u>

6. PROFIT FOR THE YEAR

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Auditors' remuneration	1,230	1,239
Amortisation of intangible assets	4,404	4,404
Cost of services rendered	1,607,246	1,448,696
Depreciation of property, plant and equipment	3,923	3,342
Depreciation of right-of-use assets	1,015	760
Loss on disposal of property, plant and equipment	–	404
Research and development expenditure	863	2,745
Net exchange (gain)/loss	(147)	731
Impairment loss on trade, bills and other receivables and contract assets, net	29,841	32,712
Operating lease charges – land and buildings	2,543	2,716
	<u>2,543</u>	<u>2,716</u>

Cost of services rendered includes staff costs and depreciation of approximately RMB12,456,000 for the Year (2020: RMB11,623,000) which are included in the amounts disclosed separately.

7. EARNINGS PER SHARE

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>31,410</u>	<u>23,030</u>
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation (thousand shares)	<u>618,502</u>	<u>618,502</u>

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same. As at 31 December 2021, the Company had no dilutive potential ordinary shares (2020: Nil).

8. TRADE, BILLS AND OTHER RECEIVABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade and bills receivables		
Trade receivables	491,518	491,898
Allowance for bad and doubtful debts	<u>(42,776)</u>	<u>(33,515)</u>
	448,742	458,383
Bills receivables		
Bills receivables	1,008	6,000
Allowance for bad and doubtful debts	<u>(2)</u>	<u>(6)</u>
	1,006	5,994
	449,748	464,377
Other receivables		
Construction contracts performance guarantees and deposit for tender	38,334	56,840
Retentions receivables	49,287	52,746
Receivables for demolition expenses paid in advance	32,076	29,070
Others	<u>17,534</u>	<u>11,626</u>
	137,231	150,282
Allowance for bad and doubtful debts	<u>(2,675)</u>	<u>(798)</u>
	134,556	149,484
Prepayments and deposits		
Other deposits	–	5,000
Advance of suppliers	220,395	189,960
Administrative and operating expenses	<u>257</u>	<u>1,300</u>
	220,652	196,260
	804,956	810,121

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

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
0 to 90 days	164,577	224,064
91 to 180 days	92,177	38,895
181 to 365 days	64,053	49,685
Over 1 year but less than 2 years	24,169	73,774
Over 2 years but less than 3 years	59,660	22,046
Over 3 years	<u>45,112</u>	<u>55,913</u>
	449,748	464,377

9. SHARE CAPITAL

	Number of shares '000	Amount	
		HK\$'000	RMB'000
Authorised:			
<i>Ordinary shares of HK\$0.01 per share</i>			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021 (Unaudited)	2,000,000	20,000	17,733
Issued and fully paid:			
<i>Ordinary shares of HK\$0.01 per share</i>			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021 (Unaudited)	618,502	6,185	5,487

10. TRADE PAYABLES

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

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
0 to 90 days	85,688	139,836
91 to 180 days	55,683	55,010
181 to 365 days	79,885	31,519
Over 1 year but less than 2 years	39,639	28,257
Over 2 years but less than 3 years	18,821	13,597
Over 3 years	49,514	56,049
	329,230	324,268

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

2021 is the first year of implementing the “14th Five-year Plan”, preventive controls against COVID-19 were being coordinated for implementation as constant measures and the economy continued to operate and was in the process of steady recovery. The quality of operations in the construction industry was further enhanced, enterprises were facing new development opportunities, with specific details as follows:

I. Continuous growth in the output value and incremental value of the construction industry

According to the data released by the National Bureau of Statistics, in the Year, the total output value of the construction industry in China amounted to RMB29.30 trillion, an increase of 11.0% year-on-year; its incremental value accounted for 7.0% of the GDP, delivering over 50 million jobs for the country; and the national construction industry housing construction area amounted to 15.75 billion square meters, an increase of 5.4% year-on-year. Under the macroeconomic background of “eliminating production capacity, eliminating inventories and eliminating leverages”, a relatively high growth rate was maintained, and the overall development trend of the construction industry was stable.

II. Business activity index of the construction industry grows steadily

During the Year, the construction industry business activity index kept overall steady growth and remained quite prosperous, reflecting that the production of the construction industry maintained its relatively rapid growth. Both the indices of employment and expected business activity in the industry increased. These were indications that construction enterprises would employ more workers and were optimistic about the development of the industry. In November, the construction business activity index and the new order index both rose significantly, and we saw accelerated expansion in both production and market demand in the industry, indicating acceleration in the progress of infrastructural construction with the gradual implementation of some major projects in the “14th Five-year Plan”.

III. Informatization of the construction industry brings new markets

The “14th Five-year Plan” construction industry development plan states that the 14th Five-Year Plan period is the beginning of a new development stage which is good time for implementing urban renewal and promoting new urbanization construction and also the crucial period for accelerating the transformation and development of the construction industry. On the one hand, the construction market, as an important component of the extremely vast market of China, is an important pillar for building a new development paradigm which renders huge potentials and room for development in terms of in-depth integration and development with advanced manufacturing and new-generation information technology. On the other hand, urban development in the country has shifted from large-scale additional buildings to dual emphases on improvement in and transformation of existing establishments and new construction with structural adjustment. For the construction industry, there is an urgent urge to acquire new development ideas which organically combine domestic demand expansion with the transformation of the development model. Both shall go hand in hand with special importance giving to high quality advancement instead of rapid development and emphasis shifting from the pursuit of quantity expansion to quality upgrade, paving a new way of intensive and resilient development.

The 14th Five-year Plan has pointed out the target to build a digital China by accelerating the development of modern service industries, coordinating and promoting the construction of infrastructure, digital Zhejiang has pointed out the application scenario of “city brain + future community”, digital Ningbo aims to strongly promote the layout and establishment of the basic perception layer, to build up a full industrial chain of “sensor and hardware + platform + application scenario”. The Group has gradually developed the relevant business in the technology sector, and has deployed low cost, low power consumption, high precision and highly reliable intelligent sensors to fuse with the traditional architecture of the Group, and transform the physical properties of architecture into data properties through the sensors, and then utilize the self-developed software system of the Group to analyze the data and show the real-time monitoring status of the “vital signs” of the architecture to provide data information for the construction of an intelligent city.

The Group has a number of First-Grade qualifications in municipal works, construction, water and other works, which are highly matching with the State’s industrial development plan of “Two Major One New (兩重一新)” The technology sector of the Group is actively engaged in the combination of architecture and new-generation information technology. and will have greater competitive advantages in project development.

BUSINESS REVIEW

In the Year, the annual revenue of the Group was approximately RMB1,768.8 million, representing an increase of approximately 10.9% over 2020 The revenue was mainly generated from: i) landscape construction, ii) municipal works construction, iii) building works, and iv) others, and accounted for 34.6%, 32.2%, 29.7% and 3.5%, respectively.

In the Year, the Group obtained 10 authorized patents, including seven utility model patents and two invention patents. We prepared and published three Quality Control reports which gained recognitions namely, a National Municipal Engineering First Prize for QC Accomplishment Announcement (全國市政工程 QC 成果發佈一等獎), two First Prizes and one Second Prize from Excellent Quality Management Group of Zhejiang Municipal Industry (浙江省市政行業優秀質量管理小組), and two Second Prizes from Excellent Quality Management Group of Ningbo Municipal Industry (寧波市市政行業優秀質量管理小組). The Group also won honors such as named as one of The Top 50 National Urban Landscaping Enterprises (全國城市園林綠化企業 50 強), the Advanced Unit in the Municipal Industry in Zhejiang Province (浙江省市政行業先進單位), and one of The Top 100 Enterprises in Ningbo (寧波市百強企業). Our innovative and excellent works acquired a total of 22 provincial, municipal and national awards. For projects undertaken by the Company, of which the Construction Project of Yidaohe Road (Sanshilihe Hangying Road) in Fuyang City (阜陽市一道河路西延(三十里河—航潁路)建設工程項目) won the National Quality Engineering Award (國家優質工程獎); and the River Chu (滁河) water system comprehensive treatment EPC (Engineering Procurement Construction (design, procurement and construction)) project, the Qingdao CSCEC Splendid City (青島中建錦繡城) gardening and landscaping project, the Health and Biological Industrial Park’s wetland park EPC general contracting project, etc. won Gold Prizes of “Camellia Cup” Awards in gardening presented by Ningbo City (寧波市園林「茶花杯」金獎). In the Year, Zhejiang Provincial Postdoctoral Work Office (浙江省博士後工作辦公室) has approved us to set up a provincial postdoctoral workstation. Moreover, the technology segment of the Company has obtained ISO9001 quality management system certification, ISO14001 environmental management system certification, and ISO45001 occupational health and safety management system certification upon completion of the relevant review.

PROSPECTS

Development projects of the construction industry can be categorized as traditional infrastructural construction or new infrastructural construction. After reviewing work reports of various local governments and policies of the central government of the PRC, we are aware of a tendency that infrastructure investment will be tilted towards new infrastructural construction in 2022. It is estimated that the scale of new infrastructure will be nearly RMB1.60 trillion in 2022, representing a growth rate of approximately 17.0%, although traditional infrastructural construction will still take a dominant share of the total investment. By observing the commencement of the ongoing major projects in major provinces and cities, we can see that big transportation and water projects have been started already and the importance of traditional infrastructural construction becomes fading away and there is not much room for further substantial growth. In contrast, new infrastructural construction remains in its fast growth track with few built-up projects. In the whole, it is expected that the growth rate of infrastructure investment in 2022 will be in the range from 5.0% to 7.0%.

Recently, the business landscape of the real estate sector is changing. Its industry chain has been severely impacted with the aftermath even affecting our national economy. The real estate market has partially failed. In order to fulfil the long-term objective of “stabilizing land prices, housing prices, and expectations” for the property market, state-owned enterprises have actively participated in the real estate industry. The coming back of state-owned enterprises has given new impetus in the real estate sector, especially the urban renewal segment. The central government explicitly promotes urban renewal actions and prohibits large-scale demolition and construction. Renovations completely focus on complement to urban renewal with public attributes. What to be renewed in urban areas are not properties but public services. Because of the involvement of state-owned enterprises in the real estate industry, there will be more public infrastructural construction and more opportunities for the construction industry as well.

In the future, the Group must abide by the national policy. While developing its business based in Ningbo, the Group will actively extend our reach over the country. The Group will continue to take traditional infrastructural construction as our solid foundation in the process of building up a complete output portfolio which covers the whole construction industry chain. Fueled by technological innovation in making breakthroughs and empowered by our existing infrastructural construction business, the Group can surely open a new chapter of Chanhigh.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 10.9% or RMB174.2 million from RMB1,594.6 million for last year to RMB1,768.8 million for the Year. This is mainly due to the fact that for the Year the increase in revenue of landscape construction segment offset the decrease in revenue of building works segment and led to the increase in the Group's total revenue.

The revenue recognised during the Year for projects completed during the Year and in progress as at 31 December 2021 as compared with that of last year is tabulated as follows:

Business segments	Revenue <i>RMB'000</i> (Unaudited)	2021	No. of	No. of	2020	No. of	No. of
		No. of projects completed during the year	projects in progress as at the year end	Revenue <i>RMB'000</i> (Audited)	projects completed during the year	projects in progress as at the year end	
Landscape construction	611,060	40	61	354,759	27	59	
Municipal works construction	570,157	53	77	552,746	31	89	
Building works	525,588	18	23	629,647	8	22	
Others	61,957	13	23	57,416	12	22	
Total	<u>1,768,762</u>	<u>124</u>	<u>184</u>	<u>1,594,568</u>	<u>78</u>	<u>192</u>	

As compared with that of last year, the revenue for the Year increased by 10.9% while the overall number of projects for the Year increased by 14.1%. The increase in revenue was mainly contributed by landscape construction segment of which the revenue and number of projects for the Year increased by 72.2% or RMB256.3 million and 17.4% respectively. The significant increase in revenue of landscape construction segment was mainly due to increase in average contract value for the Year. For the Year, building works segment recorded a decrease in revenue by 16.5% or RMB104.1 million and an increase in number of projects by 36.7%. This was mainly due to the fact that certain building works projects were substantially completed in previous year and only insignificant finalisation stage work was performed in current year.

Landscape construction

The Group recorded an increase in revenue from the landscape construction segment, from RMB354.8 million for last year to RMB611.1 million for the Year, representing an increase of 72.2% or RMB256.3 million. As mentioned above, the increase was mainly due to increase in number of projects and average contract value for the Year as compared with that of last year.

Municipal works construction

The Group recorded an increase in revenue from the municipal works construction segment, from RMB552.8 million for last year to RMB570.2 million for the Year, representing an increase of 3.1% or RMB17.4 million. The increase was mainly due to increase in project number for the Year as compared with that of last year.

Building works

The Group recorded a decrease in revenue from the building works segment, from RMB629.6 million for last year to RMB525.6 million for the Year, representing a decrease of 16.5% or RMB104.0 million. As mentioned above, the decrease was mainly due to the fact that certain building works projects were substantially completed in previous year and only insignificant finalisation stage work was performed in current year.

Others

The Group recorded an increase in revenue from the others segment, from RMB57.4 million for last year to RMB62.0 million for the Year, representing an increase of 8.0% or RMB4.6 million. The increase was mainly due to the increase in number of projects for the Year as compared with that of last year.

Cost of services rendered

Cost of service rendered increased by 10.9% or RMB158.5 million from RMB1,448.7 million for last year to RMB1,607.2 million for the Year. Generally, the increase in cost of service rendered was in line with the increase in revenue for the Year.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 12.9% or RMB17.7 million from RMB137.3 million for last year to RMB155.0 million for the Year. Gross profit margin of the Group increased from 8.6% for last year to 8.8% for the Year because of the increase in proportion of revenue contributed by landscape construction segment which is in general with higher gross profit margin as compared with other business segments. The increase in gross profit was mainly due to the increase in revenue for the Year as compared with that of last year.

Other income and gains

Other income and gains decreased by 26.1% or RMB3.5 million from RMB13.4 million for last year to RMB9.9 million for the Year. The decrease was mainly due to the fact that a one-off compensation income of RMB5.2 million was received from the government for expropriation of a piece of land in last year.

Administrative and other operating expenses

The Group's administrative expenses increased by 7.1% or RMB4.4 million from RMB62.3 million for last year to RMB66.7 million for the Year, which was mainly due to the increase in staff cost as a result of business expansion.

Finance costs

The Group's finance costs increased by 10.7% or RMB2.8 million from RMB26.1 million for last year to RMB28.9 million for the Year, which was mainly due to increase in balance of bank borrowing and interest rate.

Income tax expense

The Group's income tax expense increased by 14.1% or RMB1.0 million from RMB7.1 million for last year to RMB8.1 million for the Year, which was mainly due to the increase in taxable profit as a result of revenue growth.

LIQUIDITY AND CAPITAL RESOURCES

	2021	2020
Cash and cash equivalents (excluding deposits with initial term of over three months) (RMB'000)	309,791	281,483
Current ratio	1.7	1.7
Gearing ratio	0.8	0.8

As at 31 December 2021, the Group's current ratio (based on the total current assets as at the respective year ends divided by the total current liabilities as at the respective year ends) was 1.7.

As at 31 December 2021, the Group's gearing ratio (based on the total debts as at the respective year ends divided by total equity as at the respective year ends) was 0.8.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

For the Year, the Group incurred capital expenditures totalling RMB8.4 million in relation to property, plant and equipment and intangible assets.

Capital commitments

As at 31 December 2021, the Group had no significant capital commitments.

INDEBTEDNESS

Borrowings

The following table sets forth the Group's total debts as at year end:

	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> (Audited)
Bank borrowings	688,796	654,443
Factoring loan with recourse	<u>—</u>	<u>25,483</u>
	<u>688,796</u>	<u>679,926</u>

The average interest rates for bank loans and factoring loan with recourse as at 31 December 2021 were 4.64% and 5.94% per annum respectively.

Except as disclosed above and the lease liabilities of RMB2,081,000, as at 31 December 2021, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

USE OF NET PROCEEDS FROM THE LISTING

In line with the change in use of net proceeds as described in the Company's announcement dated 8 December 2017, the following table sets forth the Group's use of net proceeds up to the date of this announcement:

	Adjusted allocation of use of proceeds (HK\$ million)	Utilised amount up to the date of this announcement (HK\$ million)	Remaining amount as at the date of this announcement (HK\$ million)
Acquisition of construction companies possessing first-grade qualification and certificates in municipal projects, including but not limited to highway projects and water projects	195.8	120.2 ^(Note 1)	75.6
Acquisition of or strategic investment in architectural design firm(s) in the Yangtze River Delta possessing first-grade qualification in architectural design	91.4	7.5 ^(Note 2)	83.9
Acquisition or establishment of a new inspection centre accredited with the qualification(s) to carry out inspection, analysis and testing on the incoming materials to be used for construction, and/or inspection and supervision of construction works	7.9	–	7.9
General working capital	20.2	20.2	–
Total	315.3	147.9	167.4

Notes:

- The Group acquired several construction licenses including a First-Grade General Contractor for Water Works and Hydropower Projects Qualification, a Second-Grade General Contractor for Highway Construction Projects Qualification along with a Second-Grade General Contractor for Water Works and Hydropower Projects Qualification and a First-Grade General Contractor for Housing Construction Projects Qualification in the PRC at a consideration of RMB76,000,000, RMB13,600,000 and RMB13,500,000 respectively, totaling RMB103.1 million (HK\$120.2 million).
- The Group acquired an A-Grade Landscape Construction Design Qualification with a consideration of RMB6.7 million (HK\$7.5 million).

The remaining net proceeds of approximately HK\$167.4 million are currently held in bank deposits and it is intended to apply in the manner consistent with the proposed allocation in the Company's announcement dated 8 December 2017. These remaining net proceeds are expected to be utilised by the end of 2023.

FINAL DIVIDENDS

The Board does not recommend the payment of any dividend for the Year.

NO MATERIAL CHANGE

During the Year, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE HIGHLIGHTS

The Company is committed to achieving and maintaining high standards of corporate governance. The Board believes that effective corporate governance and disclosure practices are not only crucial to the enhancement of the Company's accountability and transparency and investors' confidence, but also critical to the Group's long-term success. The Company has adopted the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code on corporate governance.

The Company has complied with the code provisions set out in the CG Code for the Year, except that the Director, Mr. Peng Tianbin (chairman of the Board and chairman of the Strategy Committee), did not attend the annual general meeting on 7 June 2021 due to unexpected business engagements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the Year, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries to all Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code during the Year.

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 unaudited consolidated results of the Group for the Year.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited annual results for the Year as agreed by the Auditors, and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the Register of Members of the Company will be closed in order to ascertain shareholders’ eligibility to attend and vote at the said meeting. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the progress of the completion of the auditing process. The Company expects the auditing process will be completed and the annual results will be agreed with the Auditors on or before 30 April 2022.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2022

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.