



滄海控股有限公司

Chanhigh Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2017



Interim Report
2017

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BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Wang Sufen

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Fan Rong (*Chairman*)
Mr. Shi Weixing
Mr. Yang Zhongkai

REMUNERATION COMMITTEE

Mr. Yang Zhongkai (*Chairman*)
Mr. Peng Tianbin
Mr. Shi Weixing

NOMINATION COMMITTEE

Mr. Shi Weixing (*Chairman*)
Mr. Peng Yonghui
Mr. Yang Zhongkai

STRATEGY COMMITTEE

Mr. Peng Tianbin (*Chairman*)
Mr. Peng Yonghui
Mr. Fan Rong

AUTHORISED REPRESENTATIVES

Mr. Peng Yonghui
Mr. Tong Tai Alex

COMPANY SECRETARY

Mr. Tong Tai Alex

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

CORPORATE HEADQUARTERS

17th and 18th Floors
Cang Hai Industry Building
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Zhejiang Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

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HONG KONG LEGAL ADVISER

lu, Lai & Li
Solicitors & Notaries
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AUDITOR

RSM Hong Kong
Certified Public Accountants
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

COMPLIANCE ADVISER

Essence Corporate Finance (Hong Kong) Limited
39th Floor, One Exchange Square
Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China,
Ningbo Branch
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Ningbo City
Zhejiang Province
China

Bank of China, Ningbo Branch
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Ningbo City
Zhejiang Province
China

STOCK CODE

02017

COMPANY'S WEBSITE

www.chanhigh.com.hk

FINANCIAL HIGHLIGHTS

RESULTS

	For the six months ended 30 June			
	2017	2016	Change	
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)	RMB' 000	%
Revenue	821,643	696,893	124,750	17.9%
Gross profit	111,959	87,982	23,977	27.3%
Profit before tax	76,490	62,578	13,912	22.2%
Profit for the period attributable to owners of the Company	53,964	43,468	10,496	24.1%

ASSETS AND LIABILITIES

	As at	As at	Change	
	30 June	31 December		
	2017	2016	RMB' 000	%
	RMB' 000 (Unaudited)	RMB' 000 (Audited)		
Cash and cash equivalents at end of period	343,325	108,065	235,260	217.7%
Total assets	1,967,236	1,528,439	438,797	28.7%
Total liabilities	1,190,051	1,267,852	-77,801	-6.1%
Total equity	777,185	260,587	516,598	198.2%

KEY FINANCIAL RATIOS (%)

	For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Gross profit margin	13.6%	12.6%
Net profit margin	6.6%	6.2%

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2017.

INDUSTRY AND BUSINESS REVIEW

For the first half of 2017, driven by various government initiatives such as “Sponge City” and “Beautiful China” strategies, together with the continuous investments of the government in urban infrastructure to develop a sustainable environment in China, the Group’s business continued to grow.

The Group is one of the prominent landscape and municipal works construction service providers in Zhejiang Province, with footprint covering 12 provinces, three municipalities and two autonomous regions in China. The Group principally provides landscape and municipal works construction and maintenance services to its customers. In addition, the Group undertakes building works and renovation works, and provide other services such as provision of maintenance and heritage building restoration services.

Leveraging on the Group’s strong integrated competitive strength, its sound track record of providing high quality landscaping and municipal works, together with its continued efforts in developing its principal businesses, for the six months ended 30 June 2017, the Group recorded a consolidated net profit of RMB54.0 million. Netting off the one-off listing expenses of RMB6.2 million (charged to the Group’s consolidated statement of profit or loss), net profit for the six months ended 30 June 2017 recorded an increase of 24.1% from RMB43.5 million for the six months ended 30 June 2016 to RMB54.0 million.

PROSPECTS

Looking ahead, as a result of the continuous economic growth and improvement in people’s living standard in the PRC, it is expected that significant investments in the construction of landscaping facilities and municipal facilities will continuously be made by PRC central and local governments and state-invested enterprises. Furthermore, in light of the increasing popularity and wider adoption of PPP in large-scale governmental landscaping and municipal construction projects, the Group is continuously seeking appropriate partners to explore and capture business opportunities that may arise from such business model. The Directors believe that, the Group’s strategic involvement in PPP projects in future will effectively enlarge its customer base and enhance its profitability.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 17.9% or RMB124.7 million from RMB696.9 million for the six months ended 30 June 2016 to RMB821.6 million for the six months ended 30 June 2017, which was primarily due to the increase of revenue from municipal works construction and building works segments during the period.

Landscape construction

The Group recorded a decrease in revenue from the landscape construction segment, from RMB306.3 million for the six months ended 30 June 2016 to RMB254.1 million for the six months ended 30 June 2017, representing a decrease of RMB52.2 million or 17.0%, partially attributable to change in rules and regulations of qualification certificate of the urban landscape construction enterprise on 13 April 2017, as a result of which certain newly tendered and awarded landscape related projects were categorized as municipal works construction in accordance with new rules and regulations. Such a change resulted in decrease in number of landscape construction projects newly commenced in 2017.

Municipal works construction

The Group recorded an increase in revenue from the municipal works construction segment, from RMB322.4 million for the six months ended 30 June 2016 to RMB363.8 million for the six months ended 30 June 2017, representing a growth of RMB41.4 million or 12.8%. The increase was primarily attributable to the significant increase in the average contract value of the Group's municipal works construction projects newly commenced in 2017.

Building works

The Group recorded an increase in revenue from the building works segment, from RMB56.7 million for the six months ended 30 June 2016 to RMB150.7 million for the six months ended 30 June 2017, representing a growth of RMB94.0 million or 165.9%. The increase was primarily attributable to the increase in the number of projects that recognised revenue in 2017.

Others

The Group recorded an increase in revenue from the others segment, from RMB11.5 million for the six months ended 30 June 2016 to RMB53.0 million for the six months ended 30 June 2017, representing a growth of RMB41.5 million or 362.0%. The increase was primarily attributable to the increase in the number of projects that recognised revenue in 2017.

Cost of services rendered

Cost of service rendered increased by 20.1% or RMB118.7 million from RMB589.3 million for the six months ended 30 June 2016 to RMB708.0 million for the six months ended 30 June 2017. The increase was generally in line with the increase in revenue for the six months ended 30 June 2017.

Business tax and auxiliary charges

Business tax and auxiliary charges decreased by 91.3% or RMB17.9 million from RMB19.6 million for the six months ended 30 June 2016 to RMB1.7 million for the six months ended 30 June 2017. The decrease was primarily due to the fact that the Group is subject to value-added tax instead of business tax pursuant to the PRC tax reform effective since May 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 27.3% or RMB24.0 million from RMB88.0 million for the six months ended 30 June 2016 to RMB112.0 million for the six months ended 30 June 2017. Gross profit margin of the Group slightly increased from 12.6% for the six months ended 30 June 2016 to 13.6% for the six months ended 30 June 2017, primarily attributable to the decrease in business tax and auxiliary charges pursuant to the PRC tax reform effective since May 2016.

Other income and gains

Other income and gains decreased by 92.5% or RMB5.5 million from RMB6.0 million for the six months ended 30 June 2016 to RMB0.5 million for the six months ended 30 June 2017, primarily attributable to the decrease in interest income from related parties as a result of the decrease in average monthly balances of the amounts due from related parties.

Administrative and other operating expenses

The Group's administrative expenses increased by 45.4% or RMB10.7 million from RMB23.6 million for the six months ended 30 June 2016 to RMB34.3 million for the six months ended 30 June 2017, primarily attributable to growth of business and increase in allowance for trade receivables.

Finance costs

The Group's finance costs decreased by 79.3% or RMB6.2 million from RMB7.8 million for the six months ended 30 June 2016 to RMB1.6 million for the six months ended 30 June 2017, primarily attributable to the decrease in average monthly balance of bank borrowings.

Income tax expense

The Group's income tax expense increased by 17.9% or RMB3.4 million from RMB19.1 million for the six months ended 30 June 2016 to RMB22.5 million for the six months ended 30 June 2017, primarily attributable to the increase in its gross profit and the effect of the non-recurring and non-deductible one-off listing expenses incurred.

Profit for the period attributable to owners of the Company

As a result of the foregoing, the Group's profit increased by 24.1% or RMB10.5 million from RMB43.5 million for the six months ended 30 June 2016 to RMB54.0 million for the six months ended 30 June 2017. The Group's net profit margin increased from 6.2% for the six months ended 30 June 2016 to 6.6% for the six months ended 30 June 2017, primarily attributable to the increase in gross profit margin.

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Cash and cash equivalents (RMB' 000)	343,325	108,065
Current ratio	1.7	1.2
Gearing ratio	0.1	0.2

As at 30 June 2017, the Group's current ratio (based on the total current assets as at the respective period ends divided by the total current liabilities as at the respective period ends) was 1.7.

As at 30 June 2017, the Group's gearing ratio (based on the total debt as at the respective period 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

The Group's capital expenditures principally consisted of expenditures on acquisitions of property, plant and equipment in its operations. The Group's capital expenditure amounted to RMB0.8 million for the six months ended 30 June 2017.

Operating lease commitments

As at 30 June 2017 and 31 December 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:

	As at 30 June 2017 RMB' 000 (Unaudited)	As at 31 December 2016 RMB' 000 (Audited)
Within one year	1,764	1,641
In the second to fifth year inclusive	1,739	300
Over five years	3	3
Total	3,506	1,944

MANAGEMENT DISCUSSION AND ANALYSIS

Capital commitments

As at 30 June 2017 and 31 December 2016, the Group's had no significant capital commitments.

INDEBTEDNESS

Borrowings

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

	As at 30 June 2017 RMB' 000 (Unaudited)	As at 31 December 2016 RMB' 000 (Audited)
Short-term bank borrowings	<u>61,000</u>	<u>61,000</u>

The average interest rates per annum as at 30 June 2017 was 5.3%.

Except as disclosed above, as at 30 June 2017 and 31 December 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Group is exposed to various types of financial risks including credit risk, liquidity risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and cash and bank balances. In order to minimise credit risk of trade and bill receivables, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group has limited credit risk on cash and bank balances because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group does not provide any other guarantees which would expose it to credit risk.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Foreign exchange risk

The Group's businesses are located in China and substantially all of its transactions are denominated in RMB. The aggregate net proceeds of the Group from the Listing (after deducting underwriting commission, and all related expenses) are denominated in HK\$. Given the exchange rate between RMB and HK\$ is relatively stable, the Group considers that the relevant foreign exchange exposure is not significant.

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board of the Stock Exchange on 31 March 2017 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 report, the net proceeds from the Listing were not applied for any significant use. The net proceeds are currently held in bank deposits and it is intended that it will be applied in the manner consistent with the proposed allocations in the prospectus dated 21 March 2017 issued by the Company.

INTERIM DIVIDEND

The Directors do not recommend a dividend for the six months ended 30 June 2017.

NO MATERIAL CHANGE

During the six months ended 30 June 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 Company for the year ended 31 December 2016.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2017, the Group had no material acquisitions and disposals of subsidiaries.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2017, the Group did not hold any significant investments.

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the reporting period (i.e. the six months ended 30 June 2017) and up to the date of this report.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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 CG Code as its own code of corporate governance with effect on 31 March 2017, being 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.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Since the date of the last published annual report by the Company and up to the date of this report, there were no changes to information which are required to be disclosed and had been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51 (2) of the Listing Rules.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2017, the Group had 289 full-time employees. Total employee benefits expense incurred for the six months ended 30 June 2017 amounted to RMB13.1 million. The Remuneration Committee, comprising two independent non-executive Directors, namely Mr. Yang Zhongkai and Mr. Shi Weixing and one executive Director, namely Mr. Peng Tianbin was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices. The emolument policy of the Group would also make reference to the comparable market practices with reference to the qualifications of the employees.

The Company does not have a share option scheme for the purchase of ordinary shares in the Company.

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 report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 report.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

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

Name of Director	Nature of interest	Number of Shares (Note 1)	Approximate shareholding percentage (%)
Mr. Peng YH	Trustee of the PYH Family Trust and the PTB Family Trust (Note 1)	450,000,000	72.76%
Mr. Peng TB	Interests under section 317 (Note 2)	450,000,000	72.76%
Mr. Peng DS	Interests under section 317 (Note 2)	450,000,000	72.76%
Ms. Wang SF	Interests under section 317 (Note 2)	450,000,000	72.76%

Notes:

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time from the Listing Date were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

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

Name of substantial Shareholder	Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding (%)
Vast Base	Beneficial interest	225,000,000	36.38%
TEUR	Beneficial interest	225,000,000	36.38%
Mr. Peng YH	Trustee (Note 1)	450,000,000	72.76%
Mr. Peng TB	Interests under Section 317 (Note 2)	450,000,000	72.76%
Mr. Peng DS	Interests under Section 317 (Note 2)	450,000,000	72.76%
Ms. Wang SF	Interests under Section 317 (Note 2)	450,000,000	72.76%
Zhejiang Yongchuang Industrial Co., Ltd.	Beneficial interest (Note 3)	35,944,000	5.81%
Mr. Lou Zhangliang	Interest in controlled corporation (Note 3)	35,944,000	5.81%

Notes:

- (1) Vast Base is wholly owned by Mr. Peng YH as the trustee of the PYH Family Trust. The PYH Family Trust is a discretionary trust set up by Mr. Peng YH whose beneficiaries are Mr. Peng YH and his descendants who carry the "PENG (彭)" surname. On the other hand, TEUR is wholly owned by Mr. Peng YH as the Trustee of PTB Family Trust. The PTB Family Trust is a discretionary trust set up by Mr. Peng YH whose beneficiaries are Mr. Peng TB and his descendants who carry the "PENG (彭)" surname. Under the SFO, Mr. Peng YH as the Trustee of the PYH Family Trust and the PTB Family Trust is deemed to be interested in all Shares held by Vast Base and TEUR under the PYH Family Trust and the PTB Family Trust.
- (2) Pursuant to the Acting-in-Concert Confirmation, each of Mr. Peng DS, Ms. Wang SF, Mr. Peng YH and Mr. Peng TB is deemed to be interested in all the Shares held by Vast Base and TEUR under the PYH Family Trust and the PTB Family Trust by virtue of Section 317 of the SFO.
- (3) Zhejiang Yongchuang Industrial Co., Ltd. is owned as to 70% by Mr. Lou Zhangliang, who is therefore deemed to be interested in 5.81% of the issued share capital of the Company held by Zhejiang Yongchuang Industrial Co., Ltd.

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

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

AUDIT COMMITTEE

The Company has established the Audit Committee to review and supervise the financial reporting process and internal control procedures of the Group with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members namely, Mr. Fan Rong (chairman), Mr. Shi Weixing and Mr. Yang Zhongkai, all of them are independent non-executive Directors.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been reviewed by the Auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have also been reviewed by the Audit Committee comprising all the independent non-executive Directors, namely Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai.

APPRECIATION

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

By order of the Board
Chanhigh Holdings Limited

Peng Tianbin
Chairman and Executive Director

Hong Kong, 29 August 2017



RSM Hong Kong 中瑞岳華(香港)會計師事務所
29th Floor, Lee Garden Two, 28 Yun Ping Road, 香港銅鑼灣恩平道二十八號
Causeway Bay, Hong Kong 利園二期二十九字樓

TO THE BOARD OF DIRECTORS OF CHANHIGH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 15 to 29 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

RSM Hong Kong
Certified Public Accountants
Hong Kong

29 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
	Note	2017 RMB' 000 (Unaudited)	2016 RMB' 000 (Unaudited)
Revenue	4	821,643	696,893
Cost of services rendered		(707,987)	(589,321)
Business tax and auxiliary charges		(1,697)	(19,590)
Gross profit		111,959	87,982
Other income and gains	5	453	6,014
Administrative and other operating expenses		(34,300)	(23,589)
Profit from operations		78,112	70,407
Finance costs	6	(1,622)	(7,829)
Profit before tax		76,490	62,578
Income tax expense	7	(22,526)	(19,110)
Profit for the period attributable to owners of the Company	8	53,964	43,468
Other comprehensive income for the period, net of tax			
<i>Item that will be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(219)	—
Total comprehensive income for the period attributable to owners of the Company		53,745	43,468
Earnings per share	10		
Basic and diluted (RMB cents per share)		RMB10.1 cents	RMB9.7 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	As at 30 June 2017 RMB' 000 (Unaudited)	As at 31 December 2016 RMB' 000 (Audited)
Non-current assets			
Property, plant and equipment	11	2,984	2,448
Available-for-sale financial assets		64	64
Total non-current assets		3,048	2,512
Current assets			
Trade, bills and other receivables	12	821,164	720,599
Gross amount due from customers for contract work	13	797,281	694,020
Deposits with initial terms of over three months		2,418	3,243
Bank and cash balances		343,325	108,065
Total current assets		1,964,188	1,525,927
TOTAL ASSETS		1,967,236	1,528,439
Equity			
Equity attributable to owners of the Company			
Capital	14	5,487	—
Reserves		771,698	260,587
Total equity		777,185	260,587
Current liabilities			
Trade payables	15	916,593	895,397
Accruals and other payables		84,820	56,809
Receipts in advance		25,548	18,034
Gross amount due to customers for contract work	13	16,910	8,994
Amount due to a director		—	160,337
Borrowings		61,000	61,000
Current tax liabilities		85,180	67,281
Total current liabilities		1,190,051	1,267,852
TOTAL EQUITY AND LIABILITIES		1,967,236	1,528,439

Approved by the Board of Directors on 29 August 2017 and are signed on its behalf by:

Peng Yonghui
Director

Peng Tianbin
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	(Unaudited)						Total RMB' 000
	Attributed to owners of the Company						
	Capital RMB' 000	Share premium RMB' 000	Other reserves RMB' 000	Statutory surplus reserve RMB' 000	Exchange reserve RMB' 000	Retained earnings RMB' 000	
At 1 January 2016	152,000	—	—	19,972	—	154,763	326,735
Total comprehensive income for the period	—	—	—	—	—	43,468	43,468
Repurchase of equity interests of 浙江滄海市政園林建設有限公司 (Zhejiang Chanhigh Municipal Landscape Construction Limited) ("Chanhigh Landscape") by Chanhigh Hong Kong Limited ("Chanhigh HK") from Mr. Peng Daosheng, Ms. Wang Sufen, Mr. Peng Tianbin and Mr. Peng Yonghui ("The Peng Family")	(152,000)	—	(7,370)	—	—	—	(159,370)
Dividend paid (note 9)	—	—	—	—	—	(14,782)	(14,782)
Changes in equity for the period	(152,000)	—	(7,370)	—	—	28,686	(130,684)
At 30 June 2016	—	—	(7,370)	19,972	—	183,449	196,051
At 1 January 2017	—	—	(7,370)	30,857	—	237,100	260,587
Total comprehensive income for the period	—	—	—	—	(219)	53,964	53,745
Transfer from retained earnings	—	—	—	6,456	—	(6,456)	—
Issue of shares for capitalisation of amount due to a director (note 14(c))	—	159,370	—	—	—	—	159,370
Shares issued under the global offering and over-allotment (note 14(d)&(f))	1,493	301,990	—	—	—	—	303,483
Shares capitalisation (note 14(e))	3,994	(3,994)	—	—	—	—	—
Changes in equity for the period	5,487	457,366	—	6,456	(219)	47,508	516,598
At 30 June 2017	5,487	457,366	(7,370)	37,313	(219)	284,608	777,185

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017 RMB' 000 (Unaudited)	2016 RMB' 000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(60,997)	(25,647)
Income taxes paid	(4,627)	(7,171)
Interest paid	(1,622)	(7,829)
Net cash used in operating activities	(67,246)	(40,647)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(812)	(166)
Repayment from related companies	—	330,229
Decrease/(increase) in deposits with initial terms over three months	825	(150)
Dividend income from unlisted equity investment	9	9
Interest received	176	5,637
Net cash generated from investing activities	198	335,559
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings raised	61,000	191,000
Repayment of borrowings	(61,000)	(436,100)
Proceeds from issue of shares	303,483	—
(Repayment to)/advance from a director	(967)	159,932
Repayment to a staff	—	(14,000)
Dividends paid	—	(14,782)
Repurchase of equity interests of Chanhhigh Landscape by Chanhhigh HK from the Peng Family	—	(159,370)
Net cash generated from/(used in) financing activities	302,516	(273,320)
NET INCREASE IN CASH AND CASH EQUIVALENTS	235,468	21,592
Effect of foreign exchange rate changes	(208)	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	108,065	61,482
CASH AND CASH EQUIVALENTS AT END OF PERIOD	343,325	83,074
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	343,325	83,074

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. GENERAL INFORMATION

Chanhigh Holdings Limited (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 services of municipal work and landscape construction and the related services.

The Company’s shares were listed on the Main Board of The Stock Exchange Hong Kong Limited (the “**Stock Exchange**”) on 31 March 2017.

In the opinion of the directors, as at 30 June 2017, the Peng Family is the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2016.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Company and its subsidiaries (the “**Group**”) have adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not have any significant effect on the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

4. REVENUE AND SEGMENT INFORMATION

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

(i) Information about reportable segment profit or loss:

	Landscape construction RMB' 000 (unaudited)	Municipal works construction RMB' 000 (unaudited)	Building works RMB' 000 (unaudited)	Others RMB' 000 (unaudited)	Total RMB' 000 (unaudited)
Six months period ended					
30 June 2017					
External revenue	254,120	363,789	150,748	52,986	821,643
Segment results	<u>38,004</u>	<u>47,093</u>	<u>20,952</u>	<u>5,910</u>	<u>111,959</u>
Six months period ended					
30 June 2016					
External revenue	306,280	322,447	56,696	11,470	696,893
Segment results	<u>42,905</u>	<u>41,410</u>	<u>1,961</u>	<u>1,706</u>	<u>87,982</u>

(ii) Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2017 RMB' 000 (unaudited)	2016 RMB' 000 (unaudited)
Profit and loss		
Total profits of reportable segments	111,959	87,982
Unallocated amounts:		
Interest income	176	5,637
Government incentives and awards	255	207
Allowance for trade receivables	(5,035)	—
Depreciation	(265)	(234)
Finance costs	(1,622)	(7,829)
Employee benefits expense	(10,660)	(4,074)
Listing expenses	(6,179)	(13,406)
Others	(12,139)	(5,705)
Consolidated profit before tax	<u>76,490</u>	<u>62,578</u>

Segment assets and liabilities of the Group are not reported to the directors of the Group regularly. As a result, reportable segment assets and liabilities have not been presented in these condensed consolidated financial statements.

(iii) Geographical information

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017 RMB' 000 (unaudited)	2016 RMB' 000 (unaudited)
Interest income on:		
Amounts due from related parties	—	5,513
Bank deposits	176	83
Others	—	41
	—	—
Total interest income for financial assets that are not at fair value through profit or loss	176	5,637
Bad debt recovery	—	116
Compensation income	13	45
Dividend income from unlisted equity investment	9	9
Government incentives and awards (note)	255	207
	453	6,014

Note: Government incentives and awards mainly related to the incentive and awards received from the local government authority for the achievement of the Group.

6. FINANCE COSTS

	Six months ended 30 June	
	2017 RMB' 000 (unaudited)	2016 RMB' 000 (unaudited)
Interest on bank borrowings	1,622	7,829
	1,622	7,829

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 RMB' 000 (Unaudited)	2016 RMB' 000 (Unaudited)
Current tax - PRC		
Provision for the period	22,526	19,110

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the period.

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.

For the six months period ended 30 June 2017, one of the subsidiaries of the Company incorporated in the PRC, 宣城市滄海市政園林工程有限公司 (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% (six months period ended 30 June 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 six months period ended 30 June 2017 and 2016.

8. PROFIT FOR THE PERIOD

The Group’s profit for the period is arrived at after charging the following:

	Six months ended 30 June	
	2017 RMB' 000 (Unaudited)	2016 RMB' 000 (Unaudited)
Auditors’ remuneration		
– for non-audit services	320	—
– for listing purposes	—	2,260
Allowance for trade receivables	5,035	—
Cost of services rendered	707,987	589,321
Exchange difference	759	—
Depreciation	265	234
Employee benefits expense (including directors emoluments)	13,112	11,085
Listing expenses	6,179	11,146
Operating lease charges - land and buildings	720	605

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

9. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017.

During the six months ended 30 June 2016, the Company's subsidiary made the following distributions to its then shareholders:

	Six months ended 30 June	
	2017	2016
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Dividends declared and paid/payable to its then shareholders by:		
Chanhigh Landscape	—	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 six months ended 30 June 2016.

10. 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:

	Six months ended 30 June	
	2017	2016
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	53,964	43,468
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation (thousand shares)	532,989	449,998

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for both periods has been adjusted for the effect of the capitalisation issue as more fully explained in note 14 to the condensed consolidated financial statements.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of approximately RMB812,000 (six months ended 30 June 2016: RMB166,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

12. TRADE, BILLS AND OTHER RECEIVABLES

	As at 30 June 2017 RMB' 000 (Unaudited)	As at 31 December 2016 RMB' 000 (Audited)
Trade and bills receivables	627,024	513,840
Less: Allowance for trade receivables	(5,035)	—
	<u>621,989</u>	<u>513,840</u>
Deposit, prepayment and other receivables	199,175	206,759
	<u>821,164</u>	<u>720,599</u>

Included in the trade receivables were amount due from 滄海控股集團有限公司 (Chanhigh Holding Group Limited) and 湖州滄湖建設投資有限公司 (Huzhou Canghu Construction Investment Company Limited) (“Huzhou Canghu”), related companies of the Group, of approximately RMB20,000 (31 December 2016: RMB20,000) and RMB75,000,000 (31 December 2016: RMB259,000) respectively as at 30 June 2017.

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 and net of allowance, is as follow:

	As at 30 June 2017 RMB' 000 (Unaudited)	As at 31 December 2016 RMB' 000 (Audited)
0 to 90 days	334,615	180,870
91 to 180 days	29,501	76,059
181 to 365 days	114,233	86,373
Over 1 year but less than 2 years	40,003	89,521
Over 2 years but less than 3 years	58,744	63,718
Over 3 years	44,893	17,299
	<u>621,989</u>	<u>513,840</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

	As at 30 June 2017 RMB' 000 (Unaudited)	As at 31 December 2016 RMB' 000 (Audited)
Contract costs incurred plus recognised profits less recognised losses to date	4,811,027	4,236,842
Less: Progress billings	<u>(4,030,656)</u>	<u>(3,551,816)</u>
	<u>780,371</u>	<u>685,026</u>
Gross amount due from customers for contract work	797,281	694,020
Gross amount due to customers for contract work	<u>(16,910)</u>	<u>(8,994)</u>
	<u>780,371</u>	<u>685,026</u>

In respect of construction contracts in progress at 30 June 2017, retentions receivables included in other receivables are RMB67,283,000 (31 December 2016: RMB78,239,000), in which RMB31,168,000 (31 December 2016: RMB35,274,000) is expected to be recovered after more than twelve months.

Advances received in respect of construction contracts at 30 June 2017 amounted to RMB25,548,000 (31 December 2016: RMB18,034,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

14. 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 30 June 2017		<u>2,000,000</u>	<u>20,000</u>	<u>17,733</u>
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 30 June 2017 (unaudited)		<u>618,502</u>	<u>6,185</u>	<u>5,487</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

14. CAPITAL (continued)

- (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.

15. TRADE PAYABLES

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

	As at 30 June 2017 RMB’ 000 (Unaudited)	As at 31 December 2016 RMB’ 000 (Audited)
0 to 90 days	187,909	189,706
91 to 180 days	78,658	92,796
181 to 365 days	197,649	233,401
Over 1 year but less than 2 years	274,695	289,616
Over 2 years but less than 3 years	139,962	55,917
Over 3 years	37,720	33,961
	<u>916,593</u>	<u>895,397</u>

16. CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities.

As at 31 December 2016, the Group is a defendant in a law suit claiming of approximately RMB2.8 million. During the six months ended 30 June 2017, the Group reached an agreement with the plaintiff and the law suit dismissed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

17. CAPITAL COMMITMENTS

As at 30 June 2017 and 31 December 2016, the Group had no significant capital commitments.

18. LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2017 RMB' 000 (Unaudited)	As at 31 December 2016 RMB' 000 (Audited)
Within one year	1,764	1,641
In the second to fifth year inclusive	1,739	300
After five years	3	3
	<u>3,506</u>	<u>1,944</u>

Operating lease payments represent rentals payable by the Group for its offices. Leases are negotiated for an average term of 1 to 4 years and rentals are fixed over the lease terms and do not include contingent rentals.

19. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2017 RMB' 000 (Unaudited)	2016 RMB' 000 (Unaudited)
Contract revenues from Huzhou Canghu	135,188	—
Interest income from related companies	—	5,513
Rental expenses paid to a related company	605	605
	<u>605</u>	<u>605</u>

The Peng Family is interested in the transactions above to the extent they are ultimate beneficial shareholders of the related companies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

20. MAJOR NON-CASH TRANSACTION

During the period, an amount due to a director of approximately RMB159,370,000 was capitalised by allotting 1,000 ordinary shares to Vast Base and TEUR each credited as fully paid.

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 29 August 2017.

DEFINITIONS

“Acting-in-Concert Confirmation”	an acting-in-concert confirmation dated 20 March 2011 executed by Mr. Peng YH, Mr. Peng TB, Mr. Peng DS and Ms. Wang SF whereby the Peng Family confirmed that, inter alia, it has a common control and influence on the management, operations and voting rights of Chanhhigh Landscape and its subsidiaries
“Audit Committee”	audit committee of the Company, comprising all the independent non-executive Directors, namely Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai
“Auditor”	RSM Hong Kong
“Beautiful China”	a development strategy proposed by the PRC government in the 13th Five-year Plan to 2015 highlighting the prominent position of ecological civilisation construction to achieve sustainable development
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Canghu”	Huzhou Canghu Construction Investment Company Limited (湖州滄湖建設投資有限公司), a limited liability company established in the PRC which is indirectly owned as to 72.7% by CHHG, 20% by Huzhou Nantaihu Municipal Construction Company Limited (湖州南太湖市政建設有限公司) (an Independent Third Party) and 7.3% by Mr. Peng TB and his spouse
“Cayman Islands Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CG Code”	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“CHHG”	Chanhhigh Holding Group Limited (滄海控股集團有限公司), formerly known as Ningbo Chanhhigh Investment Ltd. (寧波滄海投資有限公司) and Ningbo Chanhhigh Holding Group Ltd. (寧波滄海控股集團有限公司), a limited liability company established in the PRC on 26 April 2005, which is owned as to 30% by Mr. Peng TB, 20% by Mr. Peng DS and 50% by Ms. Wang SF, and a connected person of the Company
“Chanhhigh Investments”	Chanhhigh Investments Limited (滄海投資有限公司), a limited liability company established in the BVI on 15 March 2016, which is a wholly-owned subsidiary of the Company
“Chanhhigh HK”	Chanhhigh Hong Kong Limited (滄海香港有限公司), a limited liability company established in Hong Kong on 30 March 2016, which is wholly owned by Chanhhigh Investments
“Chanhhigh Landscape”	Zhejiang Chanhhigh Municipal Landscape Construction Limited (浙江滄海市政園林建設有限公司), formerly known as Yin County Shanshui Landscape Engineering Limited (鄞縣山水園林工程有限公司), Ningbo Shanshui Landscape Construction Limited (寧波山水園林建設有限公司) and Ningbo Shanshui Construction Limited (寧波山水建設有限公司), a limited liability company established in the PRC on 22 February 2001, which is a wholly-owned subsidiary of Chanhhigh HK and an indirect wholly-owned subsidiary of the Company

“China” or “PRC”	the People’s Republic of China, which for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	Chanhigh Holdings Limited (滄海控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 1 April 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “HK\$” or “HKD”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board commence, which was 31 March 2017
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules
“Mr. Peng DS”	Mr. Peng Daosheng (彭道生), the founder and an executive Director, a member of the Peng Family, spouse of Ms. Wang SF, and father of Mr. Peng TB and Mr. Peng YH
“Mr. Peng TB”	Mr. Peng Tianbin (彭天斌), an executive Director and chairman of the Company, a member of the Peng Family, son of Mr. Peng DS and Ms. Wang SF, and brother of Mr. Peng YH
“Mr. Peng YH”	Mr. Peng Yonghui (彭永輝), an executive Director and chief executive officer of the Company, a member of the Peng Family, son of Mr. Peng DS and Ms. Wang SF, and brother of Mr. Peng TB
“Ms. Wang SF”	Ms. Wang Sufen (王素芬), a non-executive Director, a member of the Peng Family, spouse of Mr. Peng DS, and mother of Mr. Peng TB and Mr. Peng YH
“Peng Family”	Mr. Peng DS, Ms. Wang SF, Mr. Peng TB and Mr. Peng YH
“PPP”	Public-Private-Partnership, a business model in which public infrastructure projects are financed, built and operated by way of partnership between the public sector and the private sector

DEFINITIONS

“PRC government”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
“PTB Family Trust”	The Peng Tian Bin Family Trust, a discretionary trust set up by Mr. Peng YH, the beneficiaries of which shall include Mr. Peng TB and his descendants who carry the “PENG” (彭) surname
“PYH Family Trust”	The Peng Yong Hui Family Trust, a discretionary trust set up by Mr. Peng YH, the beneficiaries of which shall include Mr. Peng YH and his descendants who carry the “PENG” (彭) surname
“Remuneration Committee”	remuneration committee of the Company, comprising two independent non-executive Directors, namely Mr. Yang Zhongkai and Mr. Shi Weixing and one executive Director namely Mr. Peng TB
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sponge City”	a city that can hold, clean and drain water in a natural way using an ecological approach through the implementation of green infrastructure with increased ability to control flood and manage storm disasters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“TEUR”	TEUR Holdings Limited (天鈺控股有限公司), a company incorporated under the laws of BVI with limited liability on 15 March 2016, and is wholly owned by Mr. Peng YH as the Trustee of the PTB Family Trust
“Trustee”	Mr. Peng YH, the trustee of the PYH Family Trust and the PTB Family Trust
“Vast Base”	Vast Base Investments Limited (浩程投資有限公司), a company incorporated under the laws of BVI with limited liability on 15 March 2016, and is wholly owned by Mr. Peng YH as the Trustee of the PYH Family Trust
“%”	per cent.