



# 滄海控股有限公司

## Chanhigh Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2017

Interim Report  
**2018**



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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  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### CORPORATE HEADQUARTERS

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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1702, 17th Floor  
COFCO Tower  
262 Gloucester Road  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## CORPORATE INFORMATION

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### HONG KONG LEGAL ADVISER

Iu, Lai & Li  
Solicitors & Notaries  
Rooms 2201, 2201A & 2202, 22nd Floor  
Tower 1, Admiralty Centre  
No. 18 Harcourt Road  
Hong Kong

### 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  
No. 218 Zhongshan Xi Road  
Haishu District  
Ningbo City  
Zhejiang Province  
China

Bank of China, Ningbo Branch  
No. 139 Yaohang Street  
Haishu District  
Ningbo City  
Zhejiang Province  
China

### STOCK CODE

02017

### COMPANY'S WEBSITE

[www.chanhigh.com.hk](http://www.chanhigh.com.hk)



**RESULTS**

	For the six months ended 30 June			
	2018	2017	Change	
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)	RMB' 000	%
Revenue	353,157	821,643	-468,486	-57.0%
Gross profit	46,934	111,959	-65,025	-58.1%
Profit before tax	15,148	76,490	-61,342	-80.2%
Profit for the period attributable to owners of the Company	8,051	53,964	-45,913	-85.1%

**ASSETS AND LIABILITIES**

	As at	As at	Change	
	30 June	31 December		
	2018	2017	RMB' 000	%
	RMB' 000 (Unaudited)	RMB' 000 (Audited)		
Cash and cash equivalents at end of period	216,321	371,703	-155,382	-41.8%
Total assets	1,693,753	1,953,205	-259,452	-13.3%
Total liabilities	888,994	1,149,437	-260,443	-22.7%
Total equity	804,759	803,768	991	0.1%

**KEY FINANCIAL RATIOS (%)**

	For the six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Gross profit margin	13.3%	13.6%
Net profit margin	2.3%	6.6%



## 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 2018.

### INDUSTRY AND BUSINESS REVIEW

During the first half of 2018, the construction industry experienced great challenges due to adjustments in various national policies, which included:

- (a) deleveraging in the entire financial system;
- (b) tightening requirements of PPP projects; and
- (c) nationwide cancellation of the qualification for urban landscaping enterprises.

Measures were undertaken by the Central Government to intensify its deleveraging efforts to ease the debt burden of local governments, such as the implementation of regulations that prohibit commercial banks and trusts from financing local governments. As a result, the local governments' financing ability was lowered and the local governments were reluctant to commence infrastructure construction plans. Therefore, a large number of government projects were delayed commencement in the short run. This resulted in drop in both number and contract sum of new projects.

Further, measures were implemented to tighten the criteria of new PPP projects and to eliminate unqualified PPP projects. As a result, certain PPP projects were subsequently aborted or suspended. This also caused the local governments to become reluctant to commence the approval process of new PPP projects for which the Group might be qualified for tendering.

Meanwhile, following the nationwide cancellation of the qualification for urban landscaping enterprises in 2017, the Group's competitive edge was weakened. The lowering of the entry barrier has increased competition for urban landscaping projects.



### PROSPECTS

Despite the challenges facing the Group in the short run as described above in the paragraph headed “Industry and Business Review” in this section which had adverse effects on the business and financial performance of the Group for the six months ended 30 June 2018, the Directors believe that the Group can continue to grow with the benefit of the development of the PRC and especially the PRC government’s objectives of building a beautiful China and realizing a good living.

Surrounded by the PRC government’s objectives of building a beautiful China and realizing a good living, the provision of services by the Group has been transformed from the traditional landscaping industry to the ecological restoration and environmental governance industry, and a multi-industry development direction, including water environmental control, river reforms, development of township with special features, has been gradually formed.

In 2018, the PRC government proposed to address the three major challenges of preventing and resolving material risks, performing targeted poverty alleviation, and controlling pollution. The enhancement in poverty alleviation and awareness of environmental protection (including water environment) are beneficial for the growth in the number of projects in municipal works, landscaping works and water works of the Group, among them, water environmental control is currently the most optimistic segment in terms of business prospects. During the second half of 2018, while advocating the requirements of “stabilizing investment” and “increasing efforts to improve deficiency in the infrastructural investment area”, the PRC government will be also relaxing monetary policy and issuing trillion-yuan project bonds to secure capital for the implementation of projects. Moreover, in the next five years, the approval time for the whole process of construction projects will be reduced by half. The continuous announcements of favourable government policies are encouraging to the Group, the Directors believe by leveraging on the Group’s strong and comprehensive qualification standards and extensive project experience, the Group will have abundant market opportunities and space for development.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

Revenue of the Group decreased by 57.0% or RMB468.4 million from RMB821.6 million for the six months ended 30 June 2017 to RMB353.2 million for the six months ended 30 June 2018, which was primarily due to the deterioration of the results of major business segments of the Group which was in turn caused by the decrease in the overall number of projects during the six months ended 30 June 2018.

The revenue recognised during the period for the projects completed during the six months ended 30 June 2018 and in progress as at the end of the six months ended 30 June 2018 as compared with that of the previous corresponding period is tabulated as follows:

Business segments	For the six months ended 30 June					
	2018			2017		
	Revenue RMB' 000	No. of projects completed during the period	No. of projects in progress as at the period end	Revenue RMB' 000	No. of projects completed during the period	No. of projects in progress as at the period end
Landscape construction	163,984	5	23	254,120	2	48
Municipal works construction	150,192	16	26	363,789	3	56
Building works	32,140	—	11	150,748	2	23
Others	6,841	3	12	52,986	2	29
<b>Total</b>	<b>353,157</b>	<b>24</b>	<b>72</b>	<b>821,643</b>	<b>9</b>	<b>156</b>

Decrease in the overall number of projects during the six months ended 30 June 2018 was mainly attributable to the following reasons:

- the progress of certain construction projects fell behind schedule, and the principal reasons for which include: (i) delay in local government's relocation schedule; (ii) change in project design; or (iii) change in local government's overall implementation plan due to financial or administrative reasons. Owing to the delay in those projects, recognition of revenue was postponed;
- as stated in the paragraph headed "Industry and Business Review" in this section, the nationwide cancellation of the qualification for urban landscaping enterprises in 2017 and the lowering of the entry barrier had increased the competition for urban landscaping projects; and
- as stated in the paragraph headed "Industry and Business Review" in this section, certain changes in government policies made by the Central Government during 2017 and 2018 adversely affected the construction market, especially government-related projects. As a result, the Company decided to terminate negotiation of certain PPP projects in Yunnan Province, Guizhou Province and Xinjiang Uygur Autonomous Region.





### Landscape construction

The Group recorded a decrease in revenue from the landscape construction segment, from RMB254.1 million for the six months ended 30 June 2017 to RMB164.0 million for the six months ended 30 June 2018, representing a decrease of 35.5% or RMB90.1 million. The decrease was primarily attributable to a decrease in the overall number of landscape construction projects of six months ended 30 June 2018 as compared with that of the previous corresponding period.

### Municipal works construction

The Group recorded a substantial decrease in revenue from the municipal works construction segment, from RMB363.8 million for the six months ended 30 June 2017 to RMB150.2 million for the six months ended 30 June 2018, representing a decrease of 58.7% or RMB213.6 million. The decrease was primarily attributable to a decrease in the overall number of municipal works construction projects of the six months ended 30 June 2018 as compared with that of the previous corresponding period.

### Building works

The Group recorded a substantial decrease in revenue from the building works segment, from RMB150.7 million for the six months ended 30 June 2017 to RMB32.1 million for the six months ended 30 June 2018, representing a decrease of 78.7% or RMB118.6 million. The decrease was primarily attributable to a decrease in the overall number of building works projects of the six months ended 30 June 2018 as compared with that of the previous corresponding period.

### Others

The Group recorded a decrease in revenue from the others segment, from RMB53.0 million for the six months ended 30 June 2017 to RMB6.8 million for the six months ended 30 June 2018, representing a decrease of 87.1% or RMB46.2 million. The decrease was primarily attributable to a decrease in the overall number of other projects of the six months ended 30 June 2018 as compared with that of the previous corresponding period.

### Cost of services rendered

Cost of service rendered decreased by 57.1% or RMB404.5 million from RMB708.0 million for the six months ended 30 June 2017 to RMB303.5 million for the six months ended 30 June 2018. Generally, the decrease in cost of service rendered was in line with the decrease in revenue for the period.

### Business tax and auxiliary charges

Business tax and auxiliary charges increased by 60.2% or RMB1.0 million from RMB1.7 million for the six months ended 30 June 2017 to RMB2.7 million for the six months ended 30 June 2018. The increase was primarily due to the fact that pursuant to the relevant tax regulations, part of value added taxes were transferred out and expensed as a result of simple collection mechanism.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by 58.1% or RMB65.1 million from RMB112.0 million for the six months ended 30 June 2017 to RMB46.9 million for the six months ended 30 June 2018. Gross profit margin of the Group slightly decreased from 13.6% for the six months ended 30 June 2017 to 13.3% for the six months ended 30 June 2018. The decrease in gross profit was primarily attributable to a decrease in the number of projects under construction and newly commenced in 2018.

### Other income and gains

Other income and gains increased by 12.5 times or RMB5.6 million from RMB0.5 million for the six months ended 30 June 2017 to RMB6.1 million for the six months ended 30 June 2018. The increase was primarily attributable to (i) the receipt of incentive payment for economic development amounting to RMB1.6 million and subsidies for introducing foreign capital amounting to RMB1.9 million from the government; and (ii) interest on deposits deposited in banks and treasury products amounting to RMB1.7 million.

### Administrative and other operating expenses

The Group's administrative expenses increased by 9.9% or RMB2.9 million from RMB29.3 million for the six months ended 30 June 2017 to RMB32.2 million for the six months ended 30 June 2018. The increase was primarily attributable to an increase in expenses as a result of business expansion during the period, but was partially offset by a decrease in one-off listing expenses for the same period in 2017.

### Finance costs

The Group's finance costs increased by 76.8% or RMB1.3 million from RMB1.6 million for the six months ended 30 June 2017 to RMB2.9 million for the six months ended 30 June 2018, primarily attributable to the increase in average monthly balance of bank borrowings.

### Income tax expense

The Group's income tax expense decreased by 68.5% or RMB15.4 million from RMB22.5 million for the six months ended 30 June 2017 to RMB7.1 million for the six months ended 30 June 2018, primarily attributable to the effect of a decrease in profit before tax.

### Profit for the period attributable to owners of the Company

As a result of the foregoing, the Group's profit decreased by 85.1% or RMB45.9 million from RMB54.0 million for the six months ended 30 June 2017 to RMB8.1 million for the six months ended 30 June 2018. The Group's net profit margin decreased from 6.6% for the six months ended 30 June 2017 to 2.3% for the six months ended 30 June 2018, primarily attributable to the decrease in revenue.



LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Cash and cash equivalents (RMB' 000)	216,321	371,703
Current ratio	1.81	1.69
Gearing ratio	0.16	0.14

As at 30 June 2018, 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 1.81.

As at 30 June 2018, 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 0.16.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

The Group's capital expenditures principally consisted of expenditures on acquisitions of property, plant and equipment, and intangible assets in its operations. The Group's capital expenditure amounted to RMB69.7 million for the six months ended 30 June 2018. Further information on the acquisition of the entire equity interests of a target company which holds a First-Grade General Contractor for Water Works and Hydropower Projects Qualification (水利水電工程施工總承包壹級資質) in the PRC is disclosed in section headed "USE OF NET PROCEEDS FROM THE LISTING".

Operating lease commitments

As at 30 June 2018, 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 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
Within one year	2,408	3,388
In the second to fifth year inclusive	1,295	1,417
Over five years	2	2
Total	<u>3,705</u>	<u>4,807</u>

Capital commitments

As at 30 June 2018, the Group had no significant capital commitments.



## MANAGEMENT DISCUSSION AND ANALYSIS

### INDEBTEDNESS

#### Borrowings

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

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
Short-term bank borrowings	<u>125,900</u>	<u>111,000</u>

The average interest rates per annum as at 30 June 2018 was 5.17%. These borrowings were unsecured.

Except as disclosed above, as at 30 June 2018, 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 Group considers that the relevant foreign exchange exposure is not significant.

### USE OF NET PROCEEDS FROM THE LISTING

In line with the change in use of net proceeds from the Listing 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 report:

	Adjusted allocation of use of proceeds (HK\$ million)	Utilised amount up to the date of this report (HK\$ million)	Remaining amount as at the date of this report (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	104.8 (Note)	91.0
Acquisition of or strategic investment in architectural design firm(s) in the Yangtze River Delta possessing first-grade qualification in architectural design	91.4	—	91.4
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
<b>Total</b>	<b>315.3</b>	<b>104.8</b>	<b>210.5</b>

#### Notes:

- (i) On 8 December 2017, a wholly-owned subsidiary of the Company entered into an acquisition agreement to acquire the entire equity interests of a target company which holds a First-Grade General Contractor for Water Works and Hydropower Projects Qualification (水利水電工程施工總承包壹級資質) in the PRC with a cash consideration of RMB76.0 million. According to the terms of the acquisition agreement, 10% of consideration representing RMB7.6 million and 90% of consideration representing RMB68.4 million were paid on 15 December 2017 and 17 January 2018 respectively.
- (ii) On 28 June 2018, a wholly-owned subsidiary of the Company entered into an acquisition agreement to acquire the entire equity interests of a target company which holds a Second-Grade General Contractor for Water Works and Hydropower Projects Qualification (水利水電工程施工總承包貳級資質) and a Second-Grade General Contractor for Highway Projects Qualification (公路工程施工總承包貳級資質) in the PRC, with a cash consideration of RMB13.6 million. The acquisition was completed on 2 July 2018.

The remaining net proceeds of approximately HK\$210.5 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

The Directors do not recommend a dividend for the six months ended 30 June 2018.

### NO MATERIAL CHANGE

During the six months ended 30 June 2018, 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 2017.

### MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2018, save as disclosed in the section headed "USE OF NET PROCEEDS FROM THE LISTING", the Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures.

### SIGNIFICANT INVESTMENTS HELD

As at 30 June 2018, the Group did not hold any significant investments.

### EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, save as disclosed in section headed "USE OF NET PROCEEDS FROM THE LISTING", there was no other significant event after the reporting period.



## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

### 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 CG Code as its own code on corporate governance.

The Company has complied with the code provisions set out in the CG Code for the six months ended 30 June 2018.

### 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 by the Directors pursuant to Rule 13.51 B(1) of the Listing Rules.

### EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2018, the Group had 370 full-time employees. Total employee benefits expense incurred for the six months ended 30 June 2018 amounted to RMB16.6 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

For the six months ended 30 June 2018, 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 as the code of conduct regarding securities transactions by 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 six months ended 30 June 2018.

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

*Notes:*

- (1) Vast Base is owned by Mr. Peng YH as trustee of the PYH Family Trust and TEUR is owned by Mr. Peng YH as trustee of the PTB Family Trust. Mr. Peng YH being the trustee of the PYH Family Trust and the PTB Family Trust, is therefore deemed to be interested in the Shares held by Vast Base and TEUR under the SFO.
- (2) 1,610,000 shares are held by the spouse of Mr. Peng YH.
- (3) Pursuant to the Acting-in-Concert Confirmation, each of Mr. Peng DS, Ms. Wang SF 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 ( <i>Note 1</i> )	Approximate percentage of shareholding (%)
Vast Base	Beneficial interest ( <i>Note 1</i> )	226,170,000	36.57%
TEUR	Beneficial interest ( <i>Note 1</i> )	225,000,000	36.38%
Zhejiang Yongchuang Industrial Co., Ltd.	Beneficial interest ( <i>Note 2</i> )	35,944,000	5.81%
Mr. Lou Zhangliang	Interest in controlled corporation ( <i>Note 2</i> )	35,944,000	5.81%

*Notes:*

- (1) Vast Base is 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 Vast Base and TEUR under the SFO.
- (2) Zhejiang Yongchuang Industrial Co., Ltd. is owned as to 70% by Mr. Lou Zhangliang, who is therefore deemed to be interested in 5.81% of the issued share capital of the Company held by Zhejiang Yongchuang Industrial Co., Ltd.

Save as disclosed above, and as at the 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 AND INTERIM REPORT

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 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 2018 and this interim report 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, 27 August 2018





**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 18 to 39 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2018 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

27 August 2018

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Six months ended 30 June	
		2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Revenue	4	353,157	821,643
Cost of services rendered		(303,504)	(707,987)
Business tax and auxiliary charges		(2,719)	(1,697)
<b>Gross profit</b>		<b>46,934</b>	<b>111,959</b>
Other income and gains	5	6,094	453
Administrative and other operating expenses		(32,171)	(29,265)
Impairment loss on trade receivables		(2,842)	(5,035)
<b>Profit from operations</b>		<b>18,015</b>	<b>78,112</b>
Finance costs	6	(2,867)	(1,622)
<b>Profit before tax</b>		<b>15,148</b>	<b>76,490</b>
Income tax expense	7	(7,097)	(22,526)
<b>Profit for the period attributable to owners of the Company</b>	8	<b>8,051</b>	<b>53,964</b>
<b>Other comprehensive income for the period, net of tax</b> <i>Item that will be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		—	(219)
<b>Total comprehensive income for the</b> <b>period attributable to owners of the Company</b>		<b>8,051</b>	<b>53,745</b>
<b>Earnings per share</b>	10		
Basic and diluted (RMB cents per share)		<b>RMB 1.3 cents</b>	<b>RMB 10.1 cents</b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	8,371	7,834
Intangible assets	12	74,480	—
Available-for-sale financial assets		—	13
<b>Total non-current assets</b>		<b>82,851</b>	<b>7,847</b>
<b>Current assets</b>			
Trade, bills and other receivables	13	604,294	701,129
Contract assets		788,136	—
Gross amount due from customers for contract works		—	868,377
Deposits with initial term of over three months		2,151	4,149
Bank and cash balances		216,321	371,703
<b>Total current assets</b>		<b>1,610,902</b>	<b>1,945,358</b>
<b>TOTAL ASSETS</b>		<b>1,693,753</b>	<b>1,953,205</b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to owners of the Company			
Share capital	14	5,487	5,487
Reserves		799,272	798,281
<b>Total equity</b>		<b>804,759</b>	<b>803,768</b>
<b>Current liabilities</b>			
Trade payables	15	533,326	824,213
Accruals and other payables		77,378	80,648
Receipts in advance		—	18,270
Contract liabilities		48,854	—
Gross amount due to customers for contract works		—	16,079
Borrowings		125,900	111,000
Current tax liabilities		103,536	99,227
<b>Total current liabilities</b>		<b>888,994</b>	<b>1,149,437</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,693,753</b>	<b>1,953,205</b>

Approved by the Board of Directors on 27 August 2018 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 2018

	(Unaudited)						
	Attributed to owners of the Company						
	Share capital RMB' 000	Share premium RMB' 000	Other reserves RMB' 000	Statutory surplus reserve RMB' 000	Exchange reserve RMB' 000	Retained earnings RMB' 000	Total RMB' 000
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	—	159,370	—	—	—	—	159,370
Shares issued under the global offering and over-allotment	1,493	301,990	—	—	—	—	303,483
Shares capitalisation	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	<u>5,487</u>	<u>457,366</u>	<u>(7,370)</u>	<u>37,313</u>	<u>(219)</u>	<u>284,608</u>	<u>777,185</u>
At 1 January 2018	5,487	457,366	(7,370)	40,864	—	307,421	803,768
Adjustments on initial application of – IFRS 9 (note 3)	—	—	—	—	—	(7,060)	(7,060)
Restated balance at 1 January 2018	<u>5,487</u>	<u>457,366</u>	<u>(7,370)</u>	<u>40,864</u>	<u>—</u>	<u>300,361</u>	<u>796,708</u>
Total comprehensive income for the period	—	—	—	—	—	8,051	8,051
Transfer from retained earnings	—	—	—	1,749	—	(1,749)	—
Changes in equity for the period	—	—	—	1,749	—	6,302	8,051
At 30 June 2018	<u>5,487</u>	<u>457,366</u>	<u>(7,370)</u>	<u>42,613</u>	<u>—</u>	<u>306,663</u>	<u>804,759</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(90,773)</b>	<b>(67,246)</b>
Deposit paid for acquisition of a subsidiary	(13,600)	—
Purchases of property, plant and equipment	(1,302)	(812)
Purchases of intangible assets	(68,400)	—
Decrease in deposits with initial terms over three months	1,998	825
Dividend income from unlisted equity investment	12	9
Interest received	1,734	176
Proceeds from disposals of property, plant and equipment	49	—
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(79,509)</b>	<b>198</b>
Borrowings raised	84,259	61,000
Repayment of borrowings	(69,359)	(61,000)
Proceeds from issue of shares	—	303,483
Repayment to a director	—	(967)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>14,900</b>	<b>302,516</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(155,382)</b>	<b>235,468</b>
Effect of foreign exchange rate changes	—	(208)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>371,703</b>	<b>108,065</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>216,321</b>	<b>343,325</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	216,321	343,325





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

## 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.

In the opinion of the directors, as at 30 June 2018, 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 2017. 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 2017 except as stated below.

## 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 2018. IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards (“**IAS**”); and Interpretations.

The Group has initially adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group’s consolidated financial statements.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As permitted by the transitional provisions of IFRS 9, the Group was elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of IFRS 9 resulted in the following changes to the Group's accounting policies.

#### (a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### IFRS 9 Financial Instruments (continued)

##### (b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

##### (c) Impairment

For trade and other receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of IFRS 9 on the Group.

The following table summaries the impact on the Group's opening retained earnings as at 1 January 2018:

	Note	RMB' 000
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018:		
Increase in impairment losses for trade and other receivables	(ii)	<u>(7,060)</u>
Attributable to owners of the Company		<u>(7,060)</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### IFRS 9 Financial Instruments (continued)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Note	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39 RMB' 000	Carrying amount under IFRS 9 RMB' 000
Equity investment	(i)	Available-for-sale	FVTOCI	13	13
Trade and other receivables	(ii)	Loans and receivables	Amortised cost	701,129	694,069

Note:

- (i) This equity investment represents investment that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated this investment at the date of initial application as measured at FVTOCI. As a result, asset with a fair value of RMB13,000 was reclassified from available-for-sale financial assets to financial assets at FVTOCI with no fair value gain. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- (ii) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of RMB7,060,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

For assets in scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9 impairment model requirements at 1 January 2018 results in an additional impairment allowance as follows:

	Note	RMB' 000
Impairment allowance at 31 December 2017 under IAS 39		12,433
Additional impairment recognised at 1 January 2018 on trade and other receivables as at 31 December 2017	(ii)	7,060
Impairment allowance at 1 January 2018 under IFRS 9		<u>19,493</u>

Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss. As a result, the Group reclassified impairment losses amounting to RMB5,035,000, recognised under IAS 39, from "administrative and other operating expenses" to "impairment loss on trade receivables" in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The transition to IFRS 15 has no material impact on retained earnings at 1 January 2018.

The adoption of IFRS 15 resulted in the following changes to the Group's accounting policies.

#### (i) *Timing of revenue recognition*

Previously, revenue arising from construction contracts and provision of services was recognised over time. Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. As the construction contracts performed by the Group could satisfy at least one of the three situations under IFRS 15, in which control of the promised good or service is regarded as being transferred over time, the revenue from construction contracts is recognised over time. Revenue is recognised over the period of the contract by reference to the work certified towards complete satisfaction of that performance obligation.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue from construction contracts.

#### (ii) *Presentation of contract assets and liabilities*

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under "Trade and other receivables", "Receipts in advance", or "Gross amounts due from/to customers for contract works" respectively, and construction cost incurred related to future activities on the contract, which mainly include materials that have been delivered to a contract site for use in a contract but not yet installed, used or applied during contract performance, are recognised as "Gross amount due from customers for contract works".

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### IFRS 15 Revenue from Contracts with Customers (continued)

##### (ii) Presentation of contract assets and liabilities (continued)

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. The uninstalled materials that have been delivered to a construct site for use in a contract, but the control has not been transferred to customers, are now included under inventories and other contract costs.

The impact on the Group's financial position by the application of IFRS 15 as compared to IAS 18, IAS 11 and related interpretations that was previously in effect before the adoption of IFRS 15 is as follows:

	Previously stated as at 31 December 2017 RMB' 000	Reclassification under IFRS 15 RMB' 000	Restated as at 1 January 2018 RMB' 000
<b>Consolidated statement of financial position (extract)</b>			
Gross amount due from customers for contract works	868,377	(868,377)	—
Contract assets	—	868,377	868,377
Receipts in advance	18,270	(18,270)	—
Gross amount due to customers for contract works	16,079	(16,079)	—
Contract liabilities	—	34,349	34,349



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### IFRS 15 Revenue from Contracts with Customers (continued)

The amount by each financial statements line items affected in the current period and period to date by the application of IFRS 15 as compared to IAS 18, IAS 11 and related interpretations that was previously in effect before the adoption of IFRS 15 is as follows:

	As reported RMB' 000	Effect of the adoption of IFRS 15 RMB' 000	Amounts without adoption of IFRS 15 RMB' 000
<b>As at 30 June 2018</b>			
<b>Consolidated statement of financial position (extract)</b>			
Gross amount due from customers			
for contract works	—	788,136	788,136
Contract assets	788,136	(788,136)	—
Receipts in advance	—	29,390	29,390
Gross amount due to customers			
for contract works	—	19,464	19,464
Contract liabilities	48,854	(48,854)	—

### 4. REVENUE AND SEGMENT INFORMATION

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue represents the revenue from construction contracts for the period.

The nature and effect of initially applying IFRS 15 on the Group's interim financial statements are disclosed in note 3.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 4. REVENUE AND SEGMENT INFORMATION (continued)

#### (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 2018					
External revenue	163,984	150,192	32,140	6,841	353,157
Segment results	<u>24,362</u>	<u>19,516</u>	<u>3,708</u>	<u>(652)</u>	<u>46,934</u>
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>

All the revenue from construction contracts was recognised over time during the six months ended 30 June 2018.

#### (ii) Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Total profit or loss of reportable segments	46,934	111,959
Unallocated amounts:		
Interest income	1,734	176
Government incentives and awards	3,594	255
Impairment loss for trade receivables	(2,842)	(5,035)
Depreciation of property, plant and equipment	(552)	(265)
Amortisation of intangible assets	(1,520)	—
Finance costs	(2,867)	(1,622)
Employee benefits expense	(16,297)	(10,660)
Listing expenses	—	(6,179)
Others	(13,036)	(12,139)
Consolidated profit before tax	<u>15,148</u>	<u>76,490</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 the condensed consolidated financial statements.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 4. REVENUE AND SEGMENT INFORMATION *(continued)*

#### (iii) Geographical information

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

#### (iv) The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	30 June 2018	1 January 2018
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Receivables, which are included in "Trade, bills and other receivables"	458,379	560,400
Contract assets	788,136	868,377
Contract liabilities	(48,854)	(34,349)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on construction contracts at the end of the reporting period. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contract liabilities primarily relate to advance consideration received from customers for construction contracts, for which revenue is recognised over time.

The amount of RMB9,977,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2018.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Interest income on:		
Bank deposits	1,041	176
Treasury products (note (a))	693	—
	<u>1,734</u>	<u>176</u>
Compensation income	—	13
Dividend income from unlisted equity investment	12	9
Exchange gain	704	—
Government incentives and awards (note (b))	3,594	255
Others	50	—
	<u>6,094</u>	<u>453</u>

Note:

- (a) The Group invested in unlisted treasury products issued by commercial banks in the PRC. The principals of these investments are guaranteed by the corresponding commercial banks. The investments are denominated in RMB and with maturity periods within three months. The rates of return range from 2.8% to 3.3% per annum.
- (b) 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	
	2018 RMB' 000 (unaudited)	2017 RMB' 000 (unaudited)
Interest on bank borrowings	<u>2,867</u>	<u>1,622</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Current tax - PRC		
Provision for the period	7,097	22,526

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months ended 30 June 2018 (six month ended 30 June 2017: RMB Nil).

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

The PRC Enterprise Income Tax of all the PRC subsidiaries have been provided at a rate of 25% for the six months ended 30 June 2018 and 2017.

### 8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Auditors' remuneration	350	320
Impairment loss for trade receivables	2,842	5,035
Cost of services rendered	303,504	707,987
Loss on disposal of property, plant and equipment	164	—
Exchange (gain)/loss	(704)	759
Depreciation of property, plant and equipment	552	265
Amortisation of intangible assets	1,520	—
Employee benefits expense (including directors' emoluments)	16,556	13,112
Listing expenses	—	6,179
Operating lease charges - land and buildings	1,577	720

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB Nil).

### 10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>8,051</u>	<u>53,964</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation (thousand shares)	<u>618,502</u>	<u>532,989</u>

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately RMB1,302,000 (six months ended 30 June 2017: RMB812,000).

### 12. INTANGIBLE ASSETS

During the six months ended 30 June 2018, the Group acquired a First-Grade General Contractor for Water Works and Hydropower Projects Qualification\* (水利水電工程施工總承包壹級資質) in the PRC at a consideration of RMB76,000,000. Such qualification is amortised on straight-line basis over an estimated useful life of 25 years.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 13. TRADE, BILLS AND OTHER RECEIVABLES

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
Trade and bills receivables	412,300	512,241
Allowance for impairment of trade receivables	(15,993)	(11,037)
	<u>396,307</u>	<u>501,204</u>
Deposit, prepayment and other receivables	214,328	201,321
Allowance for impairment for other receivables	(6,341)	(1,396)
	<u>207,987</u>	<u>199,925</u>
	<u><u>604,294</u></u>	<u><u>701,129</u></u>

Included in the trade receivables were amount due from 湖州滄湖建設投資有限公司 (Huzhou Canghu Construction Investment Company Limited\*) ("Huzhou Canghu"), a related company of the Group, of approximately RMB5,600,000 (At 31 December 2017: RMB39,095,000) as at 30 June 2018.

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

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
0 to 90 days	74,920	110,117
91 to 180 days	33,952	56,909
181 to 365 days	112,038	142,780
Over 1 year but less than 2 years	112,252	93,014
Over 2 years but less than 3 years	14,683	51,524
Over 3 years	48,462	46,860
	<u>396,307</u>	<u>501,204</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 14. SHARE CAPITAL

	Number of shares '000	Amount	
		HK\$'000	RMB'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.01 per share:			
As at 1 January 2017	38,000	380	317
Increase of authorised share capital	1,962,000	19,620	17,416
At 31 December 2017, 1 January 2018 and 30 June 2018	<u>2,000,000</u>	<u>20,000</u>	<u>17,733</u>
<b>Issued and fully paid:</b>			
At 1 January 2017	2	—	—
Issue of shares for capitalisation of amount due to a director	2	—	—
Share capitalisation	449,996	4,500	3,994
Global offering of shares	150,000	1,500	1,329
Issue of over-allotment shares	18,502	185	164
At 31 December 2017, 1 January 2018 and 30 June 2018 (unaudited)	<u>618,502</u>	<u>6,185</u>	<u>5,487</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 15. TRADE PAYABLES

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

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
0 to 90 days	33,261	75,802
91 to 180 days	33,780	14,508
181 to 365 days	69,852	212,660
Over 1 year but less than 2 years	194,018	260,930
Over 2 years but less than 3 years	167,095	223,132
Over 3 years	35,320	37,181
	<u>533,326</u>	<u>824,213</u>

### 16. CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities (At 31 December 2017: RMB Nil).

### 17. CAPITAL COMMITMENTS

	At 30 June 2018 RMB' 000 (Unaudited)	At 31 December 2017 RMB' 000 (Audited)
Contracted but not provided for: Consideration to be paid for an acquisition of a subsidiary	<u>—</u>	<u>68,400</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 18. LEASE COMMITMENTS

As at 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2018 RMB' 000 (Unaudited)	At 31 December 2017 RMB' 000 (Audited)
Within one year	2,408	3,388
In the second to fifth year inclusive	1,295	1,417
After five years	2	2
	<u>3,705</u>	<u>4,807</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	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Contract revenues from Huzhou Canghu	30,065	135,188
Rental expenses paid to a related company	859	605

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 2018

### 20. EVENTS AFTER THE REPORTING PERIOD

On 28 June 2018, the Group entered into an agreement to acquire the entire equity of a company, 南京果嶠建設工程有限公司 (Nanjing Guokong Construction Company Limited\*), for a cash consideration of RMB13,600,000. The transaction has been completed on 2 July 2018. The acquired company was incorporated on 19 April 2018 with a Second-Grade General Contractor for Water Works and Hydropower Project Qualification\* (水利水電工程施工總承包二級資質) and a Second-Grade General Contractor for Road Works Qualification\* (公路工程施工總承包二級資質). No business is carried out by the acquired company.

### 21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2018.

\* for identification purpose only

## 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 Chanhigh Construction 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
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CG Code”	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Chanhigh Investments”	Chanhigh Investments Limited (滄海投資有限公司), a limited liability company incorporated in the BVI on 15 March 2016, which is a wholly-owned subsidiary of the Company
“Chanhigh HK”	Chanhigh Hong Kong Limited (滄海香港有限公司), a limited liability company incorporated in Hong Kong on 30 March 2016, which is wholly owned by Chanhigh Investments
“Chanhigh Construction”	Zhejiang Chanhigh Construction Limited (浙江滄海建設有限公司), formerly known as Zhejiang Chanhigh Municipal Landscape Construction Limited (浙江滄海市政園林建設有限公司), Yin County Shanshui Landscape Engineering Limited (鄞縣山水園林工程有限公司), Ningbo Shanshui Landscape Construction Limited (寧波山水園林建設有限公司) and Ningbo Shanshui Construction Limited (寧波山水建設有限公司), a limited liability company established in the PRC on 22 February 2001, which is a wholly-owned subsidiary of Chanhigh HK and an indirect wholly-owned subsidiary of the Company
“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
“IFRS”	the International Financial Reporting Standards, as issued by the International Accounting Standards Board
“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 GEM
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“Mr. Peng DS”	Mr. Peng Daosheng (彭道生), 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)
“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 in 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 in 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.

