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CHANHIGH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2017)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue	1,098,008	1,029,221
Gross profit	62,042	57,465
Profit for the period	15,785	13,244
Profit/(loss) and total comprehensive income for the period attributable to:		
Owners of the Company	15,697	13,296
Non-controlling interests	88	(52)

The board (the “**Board**”) of directors (the “**Directors**”) of Chanhigh Holdings Limited (the “**Company**”), hereby presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 together with the comparative unaudited figures for the six months ended 30 June 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Unaudited	
		Six months ended 30 June	
		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	1,098,008	1,029,221
Cost of services rendered		(1,032,391)	(968,040)
Sales related tax and auxiliary charges		(3,575)	(3,716)
		<u>62,042</u>	57,465
Gross profit		62,042	57,465
Other income, and gains and losses		7,773	2,400
Administrative and other operating expenses		(31,855)	(30,676)
(Impairment loss)/reversal of impairment loss on trade and other receivables and contract assets, net		(4,523)	2,144
		<u>33,437</u>	31,333
Profit from operations		33,437	31,333
Finance costs		(13,209)	(11,949)
Share of losses of associates		(1,510)	(400)
		<u>18,718</u>	18,984
Profit before tax		18,718	18,984
Income tax expense	5	(2,933)	(5,740)
		<u>15,785</u>	13,244
Profit and total comprehensive income for the period	6	15,785	13,244
		<u>15,697</u>	13,296
Profit/(loss) and total comprehensive income for the period attributable to:			
Owners of the Company		15,697	13,296
Non-controlling interests		88	(52)
		<u>15,785</u>	13,244
		<u>15,785</u>	13,244
Earnings per share attributable to owners of the Company			
Basic and diluted (<i>RMB cents per share</i>)	7	2.5	2.1
		<u>2.5</u>	2.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		Unaudited As at 30 June 2024 <i>RMB'000</i>	Audited As at 31 December 2023 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		13,499	13,704
Intangible assets		26,416	73,720
Right-of-use assets		618	780
Investments in associates		28,407	29,917
		68,940	118,121
Total non-current assets			
Current assets			
Trade and other receivables	8	608,954	616,393
Contract assets		1,126,041	1,175,371
Deposits with initial terms of over three months		99,000	156,500
Cash at banks and on hand		275,898	259,598
		2,109,893	2,207,862
Total current assets			
		2,178,833	2,325,983
TOTAL ASSETS			
EQUITY			
Equity attributable to owners of the Company			
Share capital	9	5,487	5,487
Reserves		981,180	965,483
		986,667	970,970
Non-controlling interests			
		6,175	6,087
Total equity			
		992,842	977,057

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		356	540
Borrowings		—	102,002
		<u>356</u>	<u>102,542</u>
Total non-current liabilities		356	102,542
Current liabilities			
Trade and bills payables	10	376,811	406,624
Accruals and other payables		62,874	64,014
Contract liabilities		29,978	66,733
Lease liabilities		358	301
Borrowings		580,700	573,700
Current tax liabilities		134,914	135,012
		<u>1,185,635</u>	<u>1,246,384</u>
Total current liabilities		1,185,635	1,246,384
TOTAL EQUITY AND LIABILITIES		<u>2,178,833</u>	<u>2,325,983</u>

NOTES

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 17th and 18th Floors, Cang Hai Industry Building, No. 3388 Cang Hai Road, Yinzhou District, Ningbo City, Zhejiang Province, the 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 of the Company, as at 30 June 2024, the Peng Family, comprising Mr. Peng Daosheng, Ms. Wang Sufen, Mr. Peng Tianbin and Mr. Peng Yonghui, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

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 of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2023 annual consolidated financial statements. Except as described below, the accounting policies (including the significant judgements made by management in applying the Group's accounting policies and key sources of estimate uncertainty) and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2023.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted all the new and revised International Financial Reporting Standards issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. They do not have a material effect on the Group's condensed consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted.

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 is derived from contracts with customers.

(i) Information about reportable segment profit or loss:

	Landscape construction <i>RMB'000</i> (Unaudited)	Municipal works construction <i>RMB'000</i> (Unaudited)	Building works <i>RMB'000</i> (Unaudited)	Others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Six months ended 30 June 2024					
External revenue	34,397	419,452	619,256	24,903	1,098,008
Segment results	<u>6,782</u>	<u>30,521</u>	<u>17,995</u>	<u>6,744</u>	<u>62,042</u>
Six months ended 30 June 2023					
External revenue	103,490	396,626	504,422	24,683	1,029,221
Segment results	<u>9,255</u>	<u>30,998</u>	<u>11,350</u>	<u>5,862</u>	<u>57,465</u>

All the revenue from construction contracts was recognised over time during the six months ended 30 June 2024 except for the revenue from agency services of RMB Nil (six months ended 30 June 2023: RMB3,543,000) included in "Others" segment that was recognised at a point in time during the six months ended 30 June 2024 and 2023.

(ii) Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total profits of reportable segments	62,042	57,465
Unallocated amounts:		
Interest income	1,320	931
Gain on termination of concession rights	5,246	—
Government incentives and awards	979	2,180
Depreciation of property, plant and equipment	(518)	(563)
Depreciation of right-of-use assets	(162)	—
Amortisation of intangible assets	(683)	(681)
Finance costs	(13,209)	(11,949)
Operating lease payments	(279)	(157)
Net exchange (loss)/gain	(21)	60
Staff cost	(19,252)	(18,825)
Research and development expenditure	(86)	(198)
Bad debts written off	—	(1,914)
Bad debts recovery	7	543
(Impairment loss)/reversal of impairment loss on trade and other receivables and contracts assets, net	(4,523)	2,144
Others	(12,143)	(10,052)
Consolidated profit before tax	<u>18,718</u>	<u>18,984</u>

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

(iii) Geographical information

Based on the locations of the customers, all the revenues are earned in the PRC.

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Receivables, which are included in “Trade and other receivables”	216,063	267,349
Contract assets	1,126,041	1,175,371
Contract liabilities	<u>29,978</u>	<u>66,733</u>

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. Payment for maintenance services is not due from the customer until the maintenance services are complete and therefore a contract asset is recognised over the period in which the maintenance services are performed to represent the Group’s right to consideration for the services transferred to date.

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

The amount of RMB62,199,000 in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB82,425,000).

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax — PRC		
— Provision for the period	2,933	5,720
— Under-provision in prior year	—	20
	2,933	5,740
	2,933	5,740

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months ended 30 June 2024 and 2023.

The PRC Enterprise Income Tax (“**PRC EIT**”) has been provided at a rate of 25% for the six months ended 30 June 2024 and 2023. One of the subsidiaries of the Company incorporated in the PRC, Zhejiang Chanhigh Construction Limited* (浙江滄海建設有限公司) (“**Chanhigh Construction**”) obtained the qualification of High and New Technology Enterprise and the corresponding applicable income tax rate for Chanhigh Construction was 15% for the six months ended 30 June 2024 (six months ended 30 June 2023: 15%).

For the six months ended 30 June 2024 and 2023, one of the subsidiaries of the Company, Zhejiang Zhanhai Industrial Company Limited* (浙江展海實業有限公司) (“**Zhejiang Zhanhai**”), is qualified as a small and low-profit enterprise in the PRC. Zhejiang Zhanhai is assessed the PRC EIT on the following basis: if its annual taxable income does not exceed RMB1,000,000, the applicable enterprise income tax rate determined by the relevant authority is 5% (six months ended 30 June 2023: 5%); if its annual taxable income is more than RMB1,000,000 but less than RMB3,000,000, the applicable enterprise income tax rate determined by the relevant authority is 10% (six months ended 30 June 2023: 10%).

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.

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	350	320
Amortisation of intangible assets	683	681
Cost of services rendered	1,032,391	965,188
Cost of inventories utilised	—	2,852
Depreciation of property, plant and equipment	518	603
Depreciation of right-of-use assets	162	—
Research and development expenditure	86	198
Net exchange loss/(gain)	21	(60)
Impairment loss/(reversal of impairment loss) on trade and other receivables and contract assets, net	4,523	(2,144)
Staff costs (including directors' emoluments)	20,830	22,255
Operating lease payments	172,115	132,395

Cost of services rendered includes cost of inventories consumed, staff costs, depreciation of property, plant and equipment and operating lease payments of approximately RMB Nil (six months ended 30 June 2023: RMB2,852,000), RMB1,780,000 (six months ended 30 June 2023: RMB3,429,000), RMB Nil (six months ended 30 June 2023: RMB41,000) and RMB171,836,000 (six months ended 30 June 2023: RMB132,238,000) for the six months ended 30 June 2024 which are included in the amounts disclosed separately.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	15,697	13,296
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation (<i>thousand shares</i>)	618,502	618,502

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same. As at 30 June 2024 and 2023, the Company had no dilutive potential ordinary shares.

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2024 <i>RMB'000</i> (Unaudited)	At 31 December 2023 <i>RMB'000</i> (Audited)
Trade and bills receivables	226,750	304,924
Allowance for bad and doubtful debts	<u>(63,980)</u>	<u>(78,326)</u>
	<u>162,770</u>	<u>226,598</u>
Deposits, prepayments and other receivables (<i>note</i>)	464,604	408,215
Allowance for bad and doubtful debts	<u>(18,420)</u>	<u>(18,420)</u>
	<u>446,184</u>	<u>389,795</u>
	<u><u>608,954</u></u>	<u><u>616,393</u></u>

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

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

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

	At 30 June 2024 <i>RMB'000</i> (Unaudited)	At 31 December 2023 <i>RMB'000</i> (Audited)
0 to 90 days	70,266	87,250
91 to 180 days	7,183	4,892
181 to 365 days	5,655	41,430
Over 1 year but less than 2 years	18,422	23,789
Over 2 years but less than 3 years	16,520	32,226
Over 3 years	<u>44,724</u>	<u>37,011</u>
	<u><u>162,770</u></u>	<u><u>226,598</u></u>

Note: Deposits, prepayments and other receivables include advance to suppliers who are independent third parties of approximately RMB253,209,000 as at 30 June 2024 (31 December 2023: RMB219,128,000) which represented unutilised balances prepaid for projects, such as material procurement and staff recruitment, according to the number, scale and progress of the respective projects to ensure smooth flow of projects with adequate resources timely in place. The balance is unsecured, interest-free, and would be regularly assessed by the Group's management based on its experience and knowledge on the projects for the gradual utilisation by the suppliers to maintain lower credit risk.

9. SHARE CAPITAL

	Number of shares '000	Amount	
		HK\$'000	RMB'000
Authorised:			
Ordinary shares of HK\$0.01 per share:			
At 1 January 2023 (audited),			
31 December 2023 (audited),			
1 January 2024 (audited) and			
30 June 2024 (unaudited)	<u>2,000,000</u>	<u>20,000</u>	<u>17,733</u>
Issued and fully paid:			
Ordinary shares of HK\$0.01 per share:			
At 1 January 2023 (audited),			
31 December 2023 (audited),			
1 January 2024 (audited) and			
30 June 2024 (unaudited)	<u>618,502</u>	<u>6,185</u>	<u>5,487</u>

10. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables, based on the date of receipt of goods and services, is as follows:

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
0 to 90 days	48,947	96,355
91 to 180 days	94,269	39,593
181 to 365 days	49,992	83,214
Over 1 year but less than 2 years	82,369	77,132
Over 2 years but less than 3 years	33,552	55,606
Over 3 years	<u>67,682</u>	<u>54,724</u>
	<u>376,811</u>	<u>406,624</u>

The carrying amount of the Group's trade and bills payables is denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

After four years of turbulence caused by the pandemic and inflation, global economic growth appears to be stabilizing. However, faced with a severe and complex international environment and the arduous task of domestic reform, development and stability, the growth level is still below the pre-2020 level. Domestically, policies have focused on supply-side reform, and the real estate market is still in the adjustment process, with real estate investment continuing to decline and inventory remaining at a high level. The construction industry, affected by the real estate sector, is generally in a downward trend, but there are still development opportunities in related infrastructure construction.

I. Construction industry expansion slowdown

According to data released by the National Bureau of Statistics, in the first half of 2024, the national construction industry's total output value was RMB13.83 trillion, a year-on-year increase of 4.8%; the national construction industry's housing construction area was 11.04 billion square meters, a year-on-year decrease of 6.2%. In the first half of 2024, the cumulative growth of fixed asset investment was 3.9%, higher than the same period last year, and the investment in infrastructure increased by 5.4% year-on-year, 1.5 percentage points higher than the overall investment, driving the growth of overall investment by 1.2 percentage points. While real estate development investment and real estate sales are both declining, the growth of infrastructure investment has become an important support for the construction industry to maintain growth.

According to statistics, in the first half of this year, investment in water conservancy management increased by 27.4%, investment in air transportation increased by 23.7%, and investment in railway transportation increased by 18.5%.

II. Continued decline in construction business activity

In the first half of 2024, the construction industry business activity index continued to decline. In July, the construction industry business activity index was 51.2%, a decrease of 1.1 percentage points from the previous month, but still above the critical point. Looking at the major sub-indices, the new order index for the construction industry was 40.1%, a decrease of 4.0 percentage points from the previous month; the construction industry input price index was 49.9%, a decrease of 1.8 percentage points from the previous month; the construction industry employment index was 40.2%, a decrease of 2.7 percentage points from the previous month; and the construction industry sales price index was 49.3%. These data all indicate that the construction industry is still in a period of policy and market adjustment. Compared to the manufacturing industry business activity index remaining below the critical point, relevant experts believe that due to the adverse factors of high temperatures, heavy rains and floods, the production and operation activities of construction enterprises have slowed down. However, in terms of market expectations, the business activity expectation index is 52.9%, indicating that most construction enterprises remain confident in the development of the industry.

III. New development model and new growth points in the construction industry

General Secretary Xi Jinping pointed out that “in promoting Chinese-style modernization, the issue of water resources must be taken into account.” Water resources are a fundamental, leading, and controlling factor in economic and social development, and the advancement of Chinese-style modernization is inseparable from strong water support. In the first half of 2024, the country completed water conservancy construction investment of RMB569 billion, an increase of 9.9% year-on-year, the highest in the same period in history. The number of water conservancy projects implemented nationwide and the employment absorbed in water conservancy construction both exceeded the same period last year. Specifically, 38,000 water conservancy projects were implemented nationwide, an increase of 23% year-on-year; water conservancy construction absorbed 1.536 million employees, an increase of 11% year-on-year.

The Group has first grade qualifications in municipal, housing construction, and water works and hydropower. An associated company of the Group, China Railway First Group East China Construction Engineering Co., Ltd. (中鐵一局集團華東建設工程有限公司), achieved a breakthrough in the winning bid amount for water works projects in 2024, laying the foundation for its entry into the national water conservancy and hydropower market. At the same time, the construction of a unified national market, the promotion of unified market basic institutional rules, and the unification of fair market supervision, as well as the strengthening of the Chinese-style modern enterprise system against monopoly and unfair competition, have instilled confidence in the Group’s nationwide development. The Group’s technology sector has also actively responded to the integration of construction and new-generation information technology and has a significant competitive advantage in project development.

In the first half of 2024, the revenue of the Group was approximately RMB1,098.0 million, representing an increase of 6.7% when compared with the same period of 2023, the sources of business revenue were from: 1) landscaping construction, 2) municipal works construction, 3) building works and 4) others, which represented 3.1%, 38.2%, 56.4% and 2.3% in the total revenue of the Group for the six months ended 30 June 2024.

In the first half of 2024, the Group obtained one invention patent, was approved to become the Ningbo Yinzhou District University Student Employment Practice Demonstration Base, and participated as the main drafter of the group standard in the compilation of the “Technical Specification for the Construction of High-Rise Prefabricated Steel Structure Buildings”. In terms of awards and qualifications, the Group was successfully evaluated as a credit unit in the Ningbo Surveying and Design Industry, and won the Zhoushan City Construction Engineering Haishan Cup (Quality Project), the Ningbo “Camellia Cup”, the Zhejiang Provincial Municipal Industry Excellent Quality Management Team, and the Yinzhou District Landscaping Vocational Skills Competition Team Second Prize.

PROSPECTS

In the first half of the year, factors such as the continued release of the effects of domestic macroeconomic policies and the accelerated development of new productive forces have formed new supports, and China’s economy has achieved effective qualitative improvement and reasonable quantitative growth, delivering a remarkable performance. This performance is not only a concentrated manifestation of the joint efforts of macroeconomic policies to promote economic growth and quality upgrading, but also the foundation and impetus for successfully achieving this year’s economic development. In the industry, affected by various factors, the development of the construction industry has shown a trend of expansion and contraction. Adjustments to real estate policies and the advancement of urbanization have led to a reduction in construction area. However, as China moves towards the goal of becoming a modernized power, and based on the spirit of the government work report and important central meetings, in 2024, infrastructure will become the new banner leading the development of the construction industry, constantly exploring new models of effective integration between the traditional construction industry and digitalization and technologization.

The Communist Party of China (“CPC”) Central Committee with General Secretary Xi Jinping at its core attaches great importance to water conservancy work. General Secretary Xi has personally deployed and promoted the implementation of the national “River Strategy”, and has convened meetings on multiple occasions to research and deploy the construction of strategic and landmark major water conservancy projects. The Central Economic Work Conference required that the proactive fiscal policy should be appropriately strengthened and improved in quality and efficiency. The “14th Five-Year Plan” plans to invest RMB5.2 trillion in water conservancy, and from 2021 to the first half of 2024, about RMB3.6 trillion in water conservancy investment has been completed cumulatively. According to the plan, it is estimated that there will still be an investment scale of RMB1.6 trillion by 2025. Assuming the investment growth rate does not decline, the total water conservancy investment during the “14th Five-Year Plan” period is expected to exceed RMB5.2 trillion.

In the meantime, the responsible person of the Ministry of Water Resources stated that they will resolutely implement the spirit of the Third Plenary Session of the 20th CPC Central Committee, fully implement the decisions and deployments of the CPC Central Committee and the State Council, and implement the tasks of further deepening the reform of water conservancy in a meticulous and detailed manner. While doing a solid job in flood and drought prevention, they will accelerate the promotion of water conservancy infrastructure construction to contribute new momentum to the high-quality development of water conservancy and ensure the country's water security.

In the future, the Group will closely follow national policies, continue to focus on traditional infrastructure construction as the foundation, technological innovation as the breakthrough, and water conservancy construction as the new growth point, seize the opportunities, and write a new chapter.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 6.7% or RMB68.8 million from RMB1,029.2 million for the six months ended 30 June 2023 to RMB1,098.0 million for the six months ended 30 June 2024. This was attributable to the fact that as compared with the same period of last year, for the six months ended 30 June 2024, the revenue from municipal works construction segment and building works segment increased by 5.8% or RMB22.9 million and 22.8% or RMB114.9 million respectively even though the revenue from landscape construction segment decreased by 66.8% or RMB69.1 million.

The revenue recognised during the period for projects completed during the six months ended 30 June 2024 and in progress as at the end of the six months ended 30 June 2024 as compared with that of the previous corresponding period is tabulated as follows:

Business segments	Revenue <i>RMB'000</i> (Unaudited)	For the six months ended 30 June		Revenue <i>RMB'000</i> (Unaudited)	2023	
		2024			2023	
		No. of projects completed during the period	No. of projects in progress as at the period end		No. of projects completed during the period	No. of projects in progress as at the period end
Landscape construction	34,397	11	26	103,490	14	16
Municipal works construction	419,452	29	83	396,626	8	66
Building works	619,256	2	24	504,422	3	20
Others	24,903	11	34	24,683	14	12
Total	1,098,008	53	167	1,029,221	39	114

Landscape construction

The Group recorded a decrease in revenue from the landscape construction segment, from RMB103.5 million for the six months ended 30 June 2023 to RMB34.4 million for the six months ended 30 June 2024, representing a decrease of 66.8% or RMB69.1 million. This was mainly due to decrease in average contract sum of landscape construction projects for the six months ended 30 June 2024 as compared with that of the previous corresponding period.

Municipal works construction

The Group recorded an increase in revenue from the municipal works construction segment, from RMB396.6 million for the six months ended 30 June 2023 to RMB419.5 million for the six months ended 30 June 2024, representing an increase of 5.8% or RMB22.9 million. This was mainly due to increase in number of municipal works construction projects during the six months ended 30 June 2024 as compared with that of the previous corresponding period.

Building works

The Group recorded an increase in revenue from the building works segment, from RMB504.4 million for the six months ended 30 June 2023 to RMB619.3 million for the six months ended 30 June 2024, representing an increase of 22.8% or RMB114.9 million. This was mainly due to increase in average contract sum of building works projects during the six months ended 30 June 2024 as compared with that of the previous corresponding period.

Others

The Group recorded an increase in revenue from the others segment, from RMB24.7 million for the six months ended 30 June 2023 to RMB24.9 million for the six months ended 30 June 2024, representing an increase of 0.8% or RMB0.2 million.

Cost of services rendered

Cost of services rendered increased by 6.7% or RMB64.4 million from RMB968.0 million for the six months ended 30 June 2023 to RMB1,032.4 million for the six months ended 30 June 2024. Generally, the fluctuation in cost of services rendered was in line with the fluctuation in revenue for the period.

Gross profit and gross profit margin

The Group's gross profit increased by 7.8% or RMB4.5 million from RMB57.5 million for the six months ended 30 June 2023 to RMB62.0 million for the six months ended 30 June 2024. Gross profit margin of the Group for the six months ended 30 June 2024 and 2023 was 5.7% and 5.6% respectively.

Administrative and other operating expenses

The Group's administrative expenses slightly increased by 3.9% or RMB1.2 million from RMB30.7 million for the six months ended 30 June 2023 to RMB31.9 million for the six months ended 30 June 2024.

Finance costs

The Group's finance costs increased by 10.9% or RMB1.3 million from RMB11.9 million for the six months ended 30 June 2023 to RMB13.2 million for the six months ended 30 June 2024. The increase was mainly because in respect of a public and private partnership project in Hanzhou, the interest expense amounting to RMB 2.1 million of the project loan was charged to profit and loss for the six months ended 30 June 2024, and the relevant interest expense of RMB3.2 million was capitalised as intangible asset for the previous corresponding period. The impact of such difference was partially offset by decrease in average interest rate between two comparable periods.

Income tax expense

The Group's income tax expense decreased by 49.1% or RMB2.8 million from RMB5.7 million for the six months ended 30 June 2023 to RMB2.9 million for the six months ended 30 June 2024, which was mainly due to decrease in taxable profit as compared with the previous corresponding period. For the six months ended 30 June 2023, certain impairment losses were non-tax deductible which led to higher taxable profit.

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Cash and cash equivalents (<i>RMB'000</i>)	268,872	252,572
Current ratio	1.8	1.8
Gearing ratio	0.6	0.7

As at 30 June 2024, 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 1.8.

As at 30 June 2024, 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 0.6.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

For the six months ended 30 June 2024, the Group incurred capital expenditures totalling RMB0.3 million in relation to property, plant and equipment.

Capital commitments

As at 30 June 2024, the Group had no significant capital commitment.

INDEBTEDNESS

Borrowings

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Bank borrowings	<u>580,700</u>	<u>675,702</u>

The average interest rates for bank loans as at 30 June 2024 were 4.03% per annum.

Except as disclosed above, as at 30 June 2024, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

USE OF NET PROCEEDS FROM THE LISTING

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

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

Notes:

- The Group acquired several construction licenses including a First-Grade General Contractor for Water Works and Hydropower Project qualification (水利水電工程施工總承包壹級資質), a Second-Grade General Contractor for Highway Construction Projects qualification (公路工程施工總承包貳級) along with a Second-Grade General Contractor for Water Supply and Drainage and Electrical Projects qualification (水利水電工程施工總承包貳級) and a First-Grade General Contractor for Housing Construction Projects qualification (建築工程施工總承包壹級) in the PRC at a consideration of RMB76,000,000, RMB13,600,000 and RMB13,500,000 respectively, totaling RMB103.1 million (HK\$120.2 million).
- The Group acquired an A-Grade Landscape Construction Design qualification license (風景園林工程設計專項甲級資質) with a total consideration of RMB6.7 million (HK\$7.5 million).

The remaining net proceeds of approximately HK\$167.4 million are currently held in bank deposits and it is intended to apply in the manner consistent with the proposed allocation in the Company's announcement dated 8 December 2017. These remaining net proceeds are expected to be utilised by the end of 2025.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

CORPORATE GOVERNANCE HIGHLIGHTS

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

The Company has complied with the code provisions set out in the CG Code for the six months ended 30 June 2024, except that chairman of the Board, Mr. Peng Tianbin, did not attend the annual general meeting on 13 June 2024 due to other business engagements.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2024, the Group had 447 full-time employees. Total employee benefits expense incurred for the six months ended 30 June 2024 amounted to RMB20.8 million. The 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 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 has not adopted any share option scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2024, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by 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 2024.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have been reviewed by the Company's 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 2024 have also been reviewed by the audit committee of the Company comprising all the independent non-executive Directors, namely Mr. Chan Lap Ip, Mr. Shi Weixing and Mr. Yang Zhongkai. Neither the Company's auditor nor the audit committee of the Company has any disagreement with the accounting policies adopted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.chanhigh.com.hk. The Company's interim report for the six months ended 30 June 2024 will be despatched to shareholders of the Company and published on the aforementioned websites in due course.

APPRECIATION

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

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

Hong Kong, 28 August 2024

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

* *For identification purpose only*