China Dredging Environment Protection Holdings Limited

(formerly known as Xiangyu Dredging Holdings Limited)

中 國 疏 浚 環 保 控 股 有 限 公 司

（前稱「翔宇疏浚控股有限公司」）

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 871)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL RESULTS

The board (the "Board") of directors (the "Director(s)") of China Dredging Environment Protection Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013, together with the audited comparative figures for the year ended 31 December 2012 as follows, which are presented in Renminbi ("RMB"), the lawful currency of the People's Republic of China (the "PRC"):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	4	**973,615**	966,027
Operating cost		**(624,187)**	(636,613)
Gross profit		**349,428**	329,414
Other income	5	**31,147**	37,384
Fair value changes of derivative financial liabilities	13	**(19,511)**	—
Marketing and promotion expenses		**(13,232)**	(15,230)
Administrative expenses		**(47,513)**	(38,707)
Finance costs		**(40,502)**	(17,975)
Profit before tax		**259,817**	294,886
Income tax expense	6	**(78,535)**	(80,494)
Profit and total comprehensive income for the year	7	**181,282**	214,392
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**164,757**	199,495
Non-controlling interests		**16,525**	14,897
		181,282	214,392
Earnings per share	8		
— basic (RMB)		**0.21**	0.25
— diluted (RMB)		**0.21**	0.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,693,267**	1,375,046
Prepaid land lease payments		**90,599**	92,800
Goodwill		**2,956**	201
Intangible assets		**2,560**	—
Available-for-sale investment		**17,147**	—
Deposit paid for acquisition of property, plant and equipment		**551**	—
Accounts and other receivables due after one year	10	**219,470**	109,463
		2,026,550	1,577,510
CURRENT ASSETS			
Prepaid land lease payments		**2,410**	2,410
Accounts and other receivables	10	**1,016,708**	910,867
Pledged bank deposits		**53,521**	76,017
Bank balances and cash		**312,183**	30,395
		1,384,822	1,019,689
CURRENT LIABILITIES			
Accounts and other payables	11	**524,638**	382,925
Amounts due to directors		**1,792**	7,732
Amounts due to non-controlling interests of a subsidiary		**4,952**	—
Tax payable		**109,931**	97,573
Bank borrowings	12	**631,349**	434,000
Other borrowings	12	**6,244**	33,236
		1,278,906	955,466
NET CURRENT ASSETS		**105,916**	64,223
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,132,466**	1,641,733

	Notes	**2013**	2012
		RMB'000	*RMB'000*
CAPITAL AND RESERVES			
Share capital		**67,200**	67,200
Reserves		**1,528,223**	1,389,148
Equity attributable to owners of the Group		**1,595,423**	1,456,348
Non-controlling interests		**134,728**	87,527
TOTAL EQUITY		**1,730,151**	1,543,875
NON-CURRENT LIABILITIES			
Amounts due to non-controlling interests of a subsidiary		**90,708**	76,002
Deferred tax liabilities		**20,063**	21,856
Bank borrowings	*12*	**60,717**	—
Other borrowings	*12*	**21,003**	—
Convertible bonds	*13*	**172,056**	—
Derivative financial liabilities	*13*	**37,768**	—
		402,315	97,858
		2,132,466	1,641,733

NOTES:

1. GENERAL, REORGANIZATION AND BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares ("Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 June 2011. Its ultimate controlling party is Mr. Liu Kaijin ("Mr. Liu"), who is the Joint Chairman and Chief Executive Officer of the Company.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values and in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Pursuant to a special resolution passed by the shareholders at an extraordinary general meeting of the Company held on 13 December 2013, the name of the Company was changed from Xiangyu Dredging Holdings Limited to China Dredging Environment Protection Holdings Limited.

For the purpose of listing ("Listing") the Shares on the Stock Exchange in 2011, the entities in the Group underwent a series of reorganisation steps to rationalise the group structure (the "Reorganisation"). As part of the Reorganisation, Jiangsu Xingyu Port Construction Company Limited* (江蘇興宇港建有限公司) ("Jiangsu Xingyu"), Jiangsu Xiangyu Port Construction Project Administration Company Limited* (江蘇翔宇港建工程管理有限公司) ("Xiangyu PRC"), Mr. Liu Kaijin ("Mr. Liu") and Ms. Zhou Shuhua ("Ms. Zhou") entered into a series of agreements (the "Contractual Arrangements") on 19 April 2011. Details of the principal terms of the Contractual Arrangements are set out in the Company's prospectus dated 8 June 2011 (the "Prospectus") in the section headed "Contractual Arrangements".

As Jiangsu Xingyu, Xiangyu PRC and other companies comprising the Group have been under common control of Mr. Liu since their respective establishment date, the Reorganisation including the execution of the Contractual Arrangements is considered as a business combination under common control. Accordingly, both Jiangsu Xingyu and Xiangyu PRC are accounted for as subsidiaries of the Company throughout the periods presented on a merger basis. Their assets, liabilities and results are included in the consolidated financial statements of the Group as if the Company had always been their parent.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows include the results and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the period presented or since their respective date of incorporation or establishment.

2. GOING CONCERN BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013, the Group has bank borrowings of approximately RMB631.3 million and other liabilities of approximately RMB647.6 million payable within one year from the end of the reporting period. While the Group has only bank and cash balances of RMB312.2 million as at 31 December 2013, the Group's ability to repaid its debts when they fall due relies heavily on the trade receivables being settled within the management's expectation.

In view of the above, the directors have carefully assessed the Group's liquidity position having taken into account (i) the estimated operating cash inflows of the Group for the next twelve months from the end of the reporting period; (ii) all the bank borrowings as at 31 December 2013 were secured by the Group's assets and are therefore highly probable that they can be renewed in the next twelve months; and (iii) the Group's unutilised banking facilities of RMB166 million as at 31 December 2013 which will not mature in the next twelve months.

On the basis of the above consideration, the directors believe that the Group can satisfy its financial obligations in the foreseeable future and accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied, for the first time in the current year, the following new and revised HKFRSs issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) Int-12 "Consolidation — Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In addition, detailed guidance has been established in HKFRS 10 to explain when an investor that own less than 50 percent of voting Shares in an investee has control over the investee. HKFRS 10 requires investor to take into account contractual arrangements with other vote holders and right from other contractual arrangements.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over the PRC Operational Entity in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over the PRC Operational Entity since the Contractual Arrangements. Therefore, in accordance with the requirements of HKFRS 10, the PRC Operational Entity has been a subsidiary of the Company. The adoption of HKFRS 10 has no material effect on the Group's financial performance and positions for the current and prior years.

HKFRS 12 *Disclosure of Interests in Other Entities*

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Other than this presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except as explained above, the application of the above new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years, and disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 Cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[2]
HK(IFRIC)-Int 21	Levies[2]

1 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
2 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 July 2014, with limited exemptions.
4 Effective for annual periods beginning on or after 1 July 2014. Early application is permitted.
5 Effective for annual periods beginning on or after 1 January 2016.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 requires that all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. The directors anticipated that the Group's available-for-sale investment, which are currently measured at cost less any identified impairment loss, may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss. The management is still evaluating the financial impact. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors do not anticipate that the application of other new and revised HKFRSs will have a material impact on the results and financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors who are also the chief operating decision makers that are used to make strategic decisions. Information reported to the chief operating decision makers is based on the different nature of projects carried out by the Group. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Details of the Group's four reportable segments are as follows:

(i) Capital and Reclamation Dredging Business refers to the capital and reclamation dredging services and related consultation services provided by the Group;

(ii) Environmental Protection Dredging and Water Management Business refers to dredging or water management services or constructions for promoting environmental interests and water quality mainly for inland rivers provided by the Group;

(iii) Dredging Related Construction Business refers to ancillary construction works related to the capital and reclamation dredging services provided by the Group; and

(iv) Other Marine Business mainly comprises marine hoisting, installation, salvaging and other engineering services provided by the Group.

Segment results

An analysis of the Group's reportable segment revenue and segment results is as below.

	Capital and Reclamation Dredging Business *RMB'000*	Environmental Protection Dredging and Water Management Business *RMB'000*	Dredging Related Construction Business *RMB'000*	Other Marine Business *RMB'000*	Total *RMB'000*
For the year ended 31 December 2013					
Segment revenue	**437,403**	**325,228**	**42,316**	**168,668**	**973,615**
Segment results	**177,688**	**113,115**	**3,591**	**49,186**	**343,580**
Other income					**17,864**
Fair value changes of derivative financial liabilities					**(19,511)**
Unallocated corporate expenses					**(47,928)**
Finance costs					**(34,188)**
Group's profit before tax					**259,817**
Other information:					
Depreciation of property, plant and equipment	**46,358**	**11,891**	**4,634**	**17,319**	**80,202**
For the year ended 31 December 2012					
Segment revenue	533,715	223,827	74,167	134,318	966,027
Segment results	193,673	70,503	7,642	43,065	314,883
Other income					35,386
Unallocated corporate expenses					(41,637)
Finance costs					(13,746)
Group's profit before tax					294,886
Other information:					
Depreciation of property, plant and equipment	33,410	4,750	2,185	15,864	56,209

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent profit earned by each segment, without allocation of central administrative expenses, fair value changes of derivative financial liabilities, certain other income and certain finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

Segment assets

	Capital and Reclamation Dredging Business *RMB'000*	Environmental Protection Dredging and Water Management Business *RMB'000*	Dredging Related Construction Business *RMB'000*	Other Marine Business *RMB'000*	Total *RMB'000*
At 31 December 2013					
Segment assets	**1,551,942**	**501,307**	**198,046**	**483,318**	**2,734,613**
Unallocated assets:					
Prepaid land lease payments					**93,009**
Pledged bank deposits					**53,521**
Available-for-sale investment					**17,147**
Consideration receivable (included in accounts and other receivables)					**172,968**
Shareholder's loan to Yongheng (defined in paragraph headed "Liquidity and Financial Resources") (included in accounts and other receivables)					**18,578**
Bank balances and cash					**312,183**
Others					**9,353**
Consolidated assets					**3,411,372**
At 31 December 2012					
Segment assets	1,513,250	402,654	16,857	458,754	2,391,515
Unallocated assets:					
Prepaid land lease payments					95,210
Pledged bank deposits					76,017
Bank balances and cash					30,395
Others					4,062
Consolidated assets					2,597,199

For the purposes of monitoring segment performances and allocating resources between segments, assets are allocated to reportable and operating segments other than the unallocated items listed above.

Segment liabilities

As the liabilities are regularly reviewed by the chief operating decision makers in total for the Group as a whole, the measure of total liabilities by operating segment is therefore not presented.

Geographical information

As all the Group's revenue is derived from its operation in the PRC and substantially all its non-current assets (excluding the available-for-sale investment and other financial assets) are located in the PRC, no geographical information is presented.

Information about major customers

An analysis of revenue from customers contributing to over 10% of the Group's total revenue for the year is as follows:

	2013	2012
	RMB'000	*RMB'000*
Customer A		
— Capital and Reclamation Dredging Business	**235,346**	325,205
Customer B		
— Environmental Protection Dredging and Water Management Business	**151,812**	—
Customer C *(note)*		
— Capital and Reclamation Dredging Business	**124,798**	N/A
Customer D *(note)*		
— Environmental Protection Dredging and Water Management Business	**116,896**	N/A
Customer E		
— Environmental Protection Dredging and Water Management Business	**—**	141,252

note: Customers C and D did not contribute over 10% of the Group's total revenue for the year ended 31 December 2012.

5. OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
Government financial incentive *(note)*	**16,041**	17,105
Bank interest income	**1,906**	2,805
Interest income in respect of non-current accounts receivable	**11,996**	16,781
Gain on disposal of property, plant and equipment	**—**	46
Sundry income	**1,204**	647
	31,147	37,384

note: Pursuant to a document issued by a PRC local government authority, one of the Company's PRC subsidiaries was granted financial incentive for a period of three years for its contribution to the economic development of the locality, provided it is duly registered in the locality and pays taxes according to tax laws. No other conditions are attached to the financial incentive.

In 2013, the PRC local government authority confirmed that the amount of such financial incentive that the Group was entitled for the year ended 31 December 2013 was RMB16,041,000 (2012: RMB17,105,000). Accordingly, the Group recognised such amount as other income for the year ended 31 December 2013.

6. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
The charge comprises		
Current tax		
PRC Enterprise Income Tax ("EIT")	**80,328**	82,314
Deferred taxation	**(1,793)**	(1,820)
	78,535	80,494

The tax charge for the year can be reconciled to the profit before tax as follows:

	2013	2012
	RMB'000	*RMB'000*
Profit before tax	**259,817**	294,886
Tax at the PRC EIT rate of 25% (2012: 25%)	**64,954**	73,722
Tax effect of expenses not deductible for tax purpose	**13,581**	6,772
Tax charge for the year	**78,535**	80,494

(i) PRC EIT

PRC EIT is calculated at 25% of the assessable profits for both years.

(ii) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years, if any.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits arising in or derived from Hong Kong for both years.

7. PROFIT FOR THE YEAR

	2013	2012
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,370**	1,738
Depreciation of property, plant and equipment	**80,202**	56,209
Amortisation of prepaid land lease payments	**2,410**	1,205
Net foreign exchange losses (included in administrative expenses)	**2,307**	164
Directors' emoluments	**4,401**	6,595
Share-based payment expense	**4,994**	9,156
Other staff costs	**41,922**	37,856
Retirement benefit scheme contributions, excluding those of directors	**2,636**	2,070
Total staff costs	**53,953**	55,677
Loss (gain) on disposal of property, plant and equipment	**35**	(46)
Sub-contracting charges included in operating cost	**568,954**	330,178

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**164,757**	199,495
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**800,000**	800,000
Effect of dilutive potential ordinary shares:		
Options	**403**	173
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**800,403**	800,173

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

9. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2012 Interim dividend of HK2 cents per share (2013: nil)	**—**	12,960

The directors do not recommend the payment of final dividend for both years.

10. ACCOUNTS AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Non-current:		
Accounts receivables	**117,971**	109,463
Value-added tax recoverable	**9,953**	—
Shareholders loan to Yongheng	**18,578**	—
Consideration receivable	**72,968**	—
	219,470	109,463
Current:		
Accounts receivables	**862,888**	860,041
Bills receivable	**4,150**	16,650
Government financial incentive receivables	**16,041**	17,105
Deposits and prepayments	**22,307**	13,131
Value-added tax recoverable	**5,450**	—
Consideration receivable	**100,000**	—
Others	**5,872**	3,940
	1,016,708	910,867
	1,236,178	1,020,330

The aged analysis of the Group's accounts receivables including billed and unbilled (net of allowance on accounts receivables) at the end of each reporting period is as follows:

Aged analysis of the Group's accounts receivables

	2013	2012
	RMB'000	*RMB'000*
0–30 days	**193,977**	178,617
31–60 days	**60,129**	74,380
61–90 days	**63,472**	64,669
91–180 days	**221,265**	109,332
Over 180 days	**442,016**	542,506
	980,859	969,504

11. ACCOUNTS AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Accounts payables		
— Subcontracting charge	**162,505**	145,891
— Fuel cost	**31,227**	30,589
— Repair and maintenance	**14,338**	16,862
— Others	**1,350**	21,150
	209,420	214,492
Bills payable	**38,501**	84,000
Other payables		
— Payable for property, plant and equipment	**170,540**	—
— Accrual other taxes	**66,502**	52,038
— Accrual staff salaries and welfare	**15,389**	19,379
— Receipts in advance	**6,431**	3,493
— Interest on convertible bonds due within one year	**5,759**	—
— Others	**12,096**	9,523
	276,717	84,433
	524,638	382,925

The aged analysis of the Group's accounts payables presented based on the invoice date as at the end of each reporting period is as follows:

	2013	2012
	RMB'000	*RMB'000*
0–30 days	**122,391**	158,787
31–60 days	**10,190**	13,930
61–90 days	**16,213**	9,056
91–180 days	**11,082**	4,806
Over 180 days	**49,544**	27,913
	209,420	214,492

12. BANK AND OTHER BORROWINGS

	2013	2012
	RMB'000	*RMB'000*
Secured bank borrowings		
— Repayable within one year	**631,349**	434,000
— Repayable in more than one year but not exceeding two years	**19,579**	—
— Repayable in more than two years but not more than five years	**41,138**	—
	692,066	434,000
Less: amount due for settlement within one year	**(631,349)**	(434,000)
	60,717	—
Unsecured other borrowings		
— Repayable within one year	**6,244**	33,236
— Repayable more than one year but not exceeding two years	**21,003**	—
	27,247	33,236

13. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITIES

The Company issued an unsecured convertible bonds to CITIC Capital China Access Fund Limited ("CITIC") at a total nominal value of HK$243,000,000 (equivalent to RMB191,970,000) on 8 November 2013, carrying an interest rate of 3% per annum. These convertible bonds mature in three years from the date of issue. The convertible bond holder has the option to either convert them into the Company's ordinary shares at a conversion price of HK$2.7 per share, subject to anti-dilutive adjustments, at any time after six months from the date of issue and up to the maturity date, or redeem them at 133.792% of the nominal value of the convertible bonds upon maturity, without early redemption option. The issuer has no right to early redeem the convertible bonds.

The convertible bonds contain two components, the host debt component and the conversion option. The convertible bonds are denominated HK$, which is a currency other than the Company's functional currency. The conversion option in the convertible bonds does not exchange a fixed number of the Company's own equity instrument for a fixed amount of cash, denominated in HK$. Accordingly, the conversion option is accounted for as derivative liability, which are not closely related to the host debt component. The fair values of the debt component and the derivative component were determined at the date of issue. Subsequent to initial recognition, the debt component is carried at amortised cost while the embedded derivative is measured at fair value, with changes in fair value recognised in profit or loss.

The convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	The debt component (convertible bonds)	**Derivative financial liabilities of the conversion option**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 8 November 2013 (date of issue)	173,713	18,257	191,970
Amortisation using effective interest method	4,102	—	4,102
Changes in fair value	—	19,511	19,511
At 31 December 2013	177,815	37,768	215,583
Less: amount due within one year	(5,759)	N/A	
	172,056	37,768	

14. RELATED PARTY DISCLOSURES

(i) Related party transactions

During the year, the Group paid rentals of RMB40,000 (2012: RMB91,000) to certain companies controlled by Mr. Liu in respect of office premises.

In 2012, Mr. Liu provided on advance of RMB7,000,000 in respect of the Group's acquisition of prepaid land lease payments.

In addition, the Group received advances from, and made repayments to, Mr. Liu during the year ended 31 December 2013 and 2012. As at 31 December 2013, the amount due to Mr. Liu was RMB157,000 (2012: RMB6,682,000).

(ii) Pledge of assets and guarantees in support of the Group's borrowings

As at 31 December 2013 and 31 December 2012, other than pledge of assets of the Group, the Group's bank borrowings were also supported by:

(a) corporate guarantee given by Xiangyu PRC;

(b) personal guarantees provided by Mr. Liu and Ms. Zhou; and

(c) two properties owned by certain non-controlling shareholders of the Company's subsidiary.

In addition, as at 31 December 2013, the Group's bank borrowings to the extent of HK$267,250,975 (equivalent to RMB210,670,211) were supported by a guarantee provided by China Merchant Bank Nanjing branch, which was in turn secured by two parcels of land owned by Yongheng. Another bank borrowings of the Group of RMB20 million was supported by a property owned by a company in which Mr. Liu has beneficial interest.

15. EVENT AFTER THE REPORTING PERIOD

On 17 January 2014, the placing of unlisted warrants pursuant to a placing agreement under which the Company appointed a placing agent to procure placees to subscribe for up to 35 million Warrants, on a best effort basis, at the subscription price of HK$2.70 exercisable within 2 years from the date of issue of the warrants was completed. Assuming exercise in full of the subscription rights attaching to the said warrants, a maximum of 35 million new shares will be allotted and issued and the Company will receive subscription money in the sum of approximately HK$94.5 million (equivalent to RMB74,655,000).

DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 2013 (2012: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group has four main operating and reportable segments, namely, (i) capital and reclamation dredging business ("CRD Business"); (ii) environmental protection dredging and water management business ("EPD and Water Management Business"); (iii) ancillary construction work related to the capital and reclamation dredging ("Dredging Related Construction Business"); and (iv) other works operated in marine sites such as salvage and hoisting works ("Other Marine Business").

Revenue

During the year, the Group recorded an increase of about RMB7.6 million in total revenue from RMB966.0 million in the financial year of 2012 to about RMB973.6 million. As regards the CRD Business segment and EPD and Water Management Business segment, the respective revenues generated during the year ended 31 December 2013 were about RMB437.4 million and about RMB325.2 million which represented a decrease of about 18% and an increase of about 45.3% respectively from the corresponding segments' revenue in the year ended 31 December 2012. The decrease in revenue of CRD Business segment was mainly due to (i) the Group's cautious selection for projects with high profit margin and project owners with strong financial position and (ii) the Group's decision to reduce subcontracting work as one of the Group's strategies. As the capacity of the Group's fleet of dredgers for carrying out CRD work has been increased since the Group went public in 2011, the Group has adopted the strategy of utilizing the Group's fleet of dredgers to work on projects as much as possible rather than engaging subcontractors and/or chartering outside dredgers so as to keep a better control of operational risk and to maintain a better profit margin. Thus the total revenue generated from CRD Business in 2013 decreased as aforesaid. On the other hand, revenue from EPD and Water Management Business segment increased in 2013 because major part of the EPD work from the Phase 1 of EPD project at Nanhu, Wuhan City ("Wuhan EPD Project"), the aggregate consideration of which amounts to approximately RMB100 million, was completed in the reported period.

During the year, the revenue of the Group's Dredging Related Construction Business decreased to about RMB42.3 million. As a result, the Group recorded a drop of about 42.9% as compared with about RMB74.2 million in this segment for the year ended 31 December 2012.

During the year, the Group's revenue generated from Other Marine Business recorded a growth of about 25.6% to about RMB168.7 million from about RMB134.3 million for the year 2012. The main reason is that all revenue generated by Jiangsu Jiaolong, one of our subsidiaries, during the reporting period was recognized in the Group's consolidated financial statements whereas only the portion of revenue generated after the completion of the acquisition of 51% equity interest of Jiangsu Jiaolong by the Group which was taken place in 2012 was recognized in the Group's consolidated financial statements for the year ended 31 December 2012.

Operating Cost and Gross Profit

The Group's operating cost decreased from about RMB636.6 million for the year ended 31 December 2012 to about RMB624.2 million for the year ended 31 December 2013, representing a decrease of about 2%. The Group recorded a gross profit of about RMB349.4 million for the year ended 31 December 2013, representing an increase of about 6% as compared with the year ended 31 December 2012 of about RMB329.4 million.

The gross profit margin of CRD Business increased from about 36.3% for the year ended 31 December 2012 to about 40.6% for the year ended 31 December 2013 as a result of the selection of projects with high profit margin and the decrease in engaging sub-contractors and/or charter of dredgers.

The gross profit margin of EPD and Water Management Business increased from about 31.5% for the year ended 31 December 2012 to about 34.8% for the year ended 31 December 2013 as the revenue generated from Wuhan EPD project in 2013 was higher than the revenue generated in 2012 and the profit margin of EPD work has been higher than that of the Water Management work.

The gross profit margin of the Group's Other Marine Business decreased by less than 3% to about 29.2% for the year ended 31 December 2013 which is considered by the directors of the Company to be acceptable while the Group's Dredging Related Construction Business, which principally includes ancillary construction work of capital and reclamation dredging services, is a segment that traditionally operated at relatively low but acceptable gross profit margin.

Other Income

The Group obtained incentive payment from local PRC government to support the growth of the Group. Other income decreased by about RMB6.2 million to about RMB31.1 million for the year ended 31 December 2013 which was mainly due to the decrease in such incentive income and interest income in respect of non-current account receivables.

Net Loss Due to Fair Value Changes of Derivative Financial Liabilities

There was a noncash loss of about RMB19.5 million due to the change of fair value of an unsecured convertible bonds issued in November 2013 because the Company's share price as at 31 December 2013 was higher than that on the date of issue of the said convertible bonds. The issue of the convertible bonds did provide strong capital support for the development of the Group's business, in particular the environmental protection dredging business, enhance the Group's market presence and competitiveness and strengthen the Group's capital base effectively after the convertible bonds' full conversion. Further, as the subscriber of the convertible bonds was a reputable private investment fund, the issuance of the Bonds to the subscriber presented a valuable opportunity to invite such private investment fund to become a strategic investor of the Company. Please refer to the Company's announcement dated 29 October 2013. No issuance of any bonds was made in 2012.

Marketing and Promotion Expenses

Marketing and promotion expenses decreased by about RMB2 million to about RMB13.2 million for the year ended 31 December 2013 due to the marketing activities in the year conducted in a more cost effective way.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 amounted to about RMB47.5 million, representing an increase of about 22.8% from RMB38.7 million for the year ended 31 December 2012 due to the costs incurred during the reporting period for the Group's corporate finance activities such as issuance of convertible bonds and warrants, acquisition transaction and expenses which were related to share options granted under Share Option Scheme adopted by the Company on 24 May 2011 etc.

Income Tax Expense

Due to the decrease in profit before tax, income tax expense for the year ended 31 December 2013 amounted to about RMB78.5 million, representing a decrease of about RMB2.0 million compared with the year 2012.

Profit for the Year

As a combination effect of the above, the profit for the year decreased by about 15.4% from about RMB214.4 million for the year ended 31 December 2012 to about RMB181.3 million for the year ended 31 December 2013. Comparing the operating profit of 2012 with the operating profit for the reporting period with the noncash net loss of about RMB19.5 million due to fair value changes of derivative financial liabilities as above mentioned not taken into account, the operating profit dropped by about 6.3%.

Earnings Per Share

Earnings per Share decreased by about 16% from RMB0.25 per Share in 2012 to RMB0.21 per Share in 2013.

Financial Management Policies

The Group in its ordinary course of business is exposed to market risks such as currency risk and interest rate risk. The Group's risk management strategy aims to minimise the adverse effects of these risks on its financial performance.

As most of the Group's trading transactions, monetary assets and liabilities are denominated mainly in Renminbi, which is the Group's functional and reporting currencies, and save for certain bank balances in United States dollars and Hong Kong dollars, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations during the reporting period. As at the end of the reporting period, no related hedge was made by the Group.

As current interest rates stay at relatively low levels, the Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instrument. However, the Group continues to monitor its related interest rate exposure closely.

Financial Position

As at 31 December 2013, total equity of the Group amounted to about RMB1,730.2 million (2012: RMB1,543.9 million). The increase was mainly due to net profit for the year of 2012.

The Group's net current assets as at 31 December 2013 amounted to about RMB105.9 million (2012: RMB64.2 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 31 December 2013 was 1.08 (2012: 1.07).

Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in Renminbi and Hong Kong dollars.

Included in net current assets were cash and various bank deposits totalling about RMB365.7 million as at 31 December 2013, representing an increase of about RMB259.3 million as compared with about RMB106.4 million as at 31 December 2012.

The Group's accounts receivables as at 31 December 2013 amounted to about RMB980.9 million (2012: RMB969.5 million).

Further, the Group has a sum of about RMB170 million other receivables to be settled by instalments before 31 December 2015 as described below. On 31 December 2012, the Group entered into a conditional agreement with one of its major trade debtors (the "Debtor") whereby the Debtor would transfer to the Group its (i) 95% equity interest in Yongheng (as defined below), and (ii) its shareholder's loan therein, in lieu of settlement for certain trade debts due to the Group (the "1st Agreement"). The amount of such trade debts to be settled in this manner is RMB288,293,000 (comprising current portion of RMB251,798,000 and non-current portion of RMB36,495,000) as determined with reference to the adjusted net assets value of Yongheng based on a valuation report issued by 江蘇仁和資產評估有限公司, a registered valuation firm in the PRC which is independent to the Group.

鹽城市咏恒置業有限公司 (Yancheng City Yongheng Properties Co., Ltd*) ("Yongheng") is a limited liability company established in the PRC, the sole assets of which are two parcels of land in the PRC. The scope of business of Yongheng includes construction and development of properties.

Concurrent with the above arrangement, the Group also entered into another conditional agreement to acquire the remaining 5% equity interest in Yongheng from the non-controlling interest therein for a cash consideration of RMB400,000 (the "2nd Agreement").

On 22 March 2013, the Group entered into a conditional sale and purchase agreement with 鹽城市鴻基建築安裝工程有限責任公司 (Yancheng City Hongji Construction Installation Engineering Company Limited*) ("Hongji Construction"), an independent third party, whereby the Group has agreed to transfer to Hongji Construction its 85% equity interest in Yongheng together with 85% of the shareholder's loan for a total consideration of RMB252,968,000 (the "Consideration") (the "3rd Agreement"), to be settled in the following manner:

(i) a deposit of RMB10 million within three business days upon signing of the 3rd Agreement;

(ii) payment of not less than RMB70 million (not including the deposit) before 31 December 2013;

(iii) a further payment of not less than RMB100 million during the year ending 31 December 2014; and payment of any outstanding balance before 31 December 2015.

Interest is payable by Hongji Construction to the Group at a rate of 6% per annum on the amount of unpaid balance starting from 1 January 2014.

On 28 June 2013, Hongji Construction gave an undertaking to the Group that Hongji Construction shall pay, before 30 June 2014, a sum of not less than RMB50 million out of the RMB100 million originally payable before 31 December 2014. The payment terms per point (i) and (ii) were fully settled as at 31 December 2013.

Though the Group did not have any collateral over the receivables, the management considered that there is no recoverability problem as to its receivables as the remaining amounts were mainly due from reputable enterprises. The slightly increase in amount of overdue receivables as at 31 December 2013 did not significantly impair the Group's liquidity position as it has a positive operating cash flows before movements in working capital changes for the year.

Total liabilities of the Group as at 31 December 2013 were about RMB1,681.2 million (2012: RMB1,053.3 million). The increase mainly represented increase in bank loans in the sum of about RMB177.8 million, liabilities under finance lease and convertible bonds of about RMB80.3 million and RMB209.8 million respectively and account payable in the sum of about RMB170.5 million being an outstanding portion of purchase price of the dredger owned by 江蘇省路港建設工程有限公司 (Jiangsu Province Lugang Construction Project Co., Ltd.*), which the Group acquired in December 2013. The bank loans will mature within one year and all are at fixed interest rates while the term of finance lease and convertible bonds with conversion price being HK$2.70 is 4 years and 3 years respectively. The proceeds of the loans and borrowings were and would be used for capital expenses (the building of the factory for the production of EPD equipment etc) and operating expenses as part of the operating revenue were used for the purpose of acquisition of 江蘇省路港建設工程有限公司 (Jiangsu Province Lugang Construction Project Co., Ltd.*).

The Group's gearing ratio (calculated by bank borrowings divided by total assets) increased to a level of 17.9% (2012: 16.7%) or 26.4% if calculated by the aggregate sum of bank borrowings, obligations under finance lease and convertible bonds, which the Board believes is at a healthy level.

Charge Over Assets of the Group

As at 31 December 2013, the Group's bank borrowings are secured by pledged bank deposits of about RMB53.5 million, charges over certain dredgers and land owned by the Group; properties owned by certain non-controlling shareholders of the Company's subsidiary; and personal guarantees by Mr. Liu and Ms. Zhou. There were also intra-group charges between two of the Company's wholly-owned subsidiaries as a result of the Contractual Arrangements, pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu have been transferred to Xiangyu PRC.

Material Acquisitions and Disposals

Apart from those discussed above in this announcement, the Group completed the acquisition of 江蘇省路港建設工程有限公司 (Jiangsu Province Lugang Construction Project Co., Ltd.*), a company holding a first class main contractor license for the business of carrying out of port and waterway construction work, reclamation dredging construction work, lake and river water restoration and treatment work, and all levels of water channel maintenance work, in 2013, details of which were set out in the Company's announcements dated 20 December 2013.

As mentioned above under the paragraph headed "Liquidity and Financial Resources", the Group transferred to Yongheng 85% equity interest (and the same proportion of shareholder's loan) held by the Group for a total consideration of approximately RMB253.0 million. No material gain or material loss, subject to any taxation effect, arising from the transaction, was accrued as the total consideration of disposing 85% equity in the subsidiary is equivalent to the unaudited net book value of the equity interest and the shareholder's loan. Please refer to the Company's announcements dated 31 December 2012 and 2 January 2013 for further details.

Capital Commitments and Contingent Liabilities

As at 31 December 2013, the Group has capital commitment of RMB88.2 million and RMB24 million in relation to acquisition of property, plant and equipment and investment in Hunan Xiangjiang Environmental Asset Investment Management Co Ltd* (湖南湘江環保產業投資管理有限公司) ("Hunan Investment"), a joint venture established with Zhuzhou Cyclic Economy Investment and Development Group Co., Ltd.* (株洲循環經濟投資發展集團有限公司) (formerly known as Zhuzhou Cyclic Economy Investment and Development Co., Ltd.* (株洲循環經濟投資發展有限責任公司), a State-owned enterprise established by the Committee of Zhuzhou Qingshuitang Cyclic Economy Industrial Zone* (株洲清水塘循環經濟工業區委員會) ("Zhuzhou Investment") in the PRC, respectively (2012: RMB39 million).

As at 31 December 2013, the Group did not have any material contingent liability (2012: nil).

Event After End of Reporting Period

As mentioned in the paragraph headed "Event After Reporting Period", the Group's equity will be increased with issuance of 35 million new shares for a total sum of HK$94.5 million (equivalent to RMB74,655,000) if all the subscription rights attaching to the warrants issued by the Company dated 17 January 2014 are exercised. This will further improve the Group's liquidity and financial position.

On 18 March 2014, Zhuzhou Investment and Hunan Investment entered into an environmental dredging cooperation agreement (the "Agreement") for environmental management and the relevant auxiliary engineering services at Qingshui Lake area, the PRC (the "Environmental Protection Dredging Project"). The total value of the Environmental Protection Dredging Project is estimated to be approximately RMB3 billion. Under the Agreement, Hunan Investment shall also appoint the Group to exercise actual implementation of the Environmental Protection Dredging Project. Please refer to the Company's announcements dated 18 March 2014 for further details. This pipeline will certainly be a landmark of the Group's development in EPD business.

Business Review

The operating revenue of RMB973,615,000 and the gross profit of RMB349,428,000 in 2013 were slightly better than in the previous year. While our gross profit was up 6% as compared with that of the year before, the profit for the year ended 31 December 2013 decreased by about 15.4% (or about 6.3% if the noncash loss in the sum of RMB19,511,000 due to the fair value changes of derivative financial liabilities (as the Company's share price as at 31 December 2013 was higher than as at the date of issue of the convertible bonds) were not taken into account) from the profit for the year ended 31 December 2012.

With the acquisition of additional dredgers and thus increasing the aggregate dredging capacity of our Group's fleet of dredgers for the CRD Business over the past years, the Group has grown to have the capability of taking up more CRD work and using sub-contractors and/or chartering dredgers less. Hence, the Group's profit margin can be maintained at a better level. Although the capital and reclamation dredging market has begun to show signs of bottoming out as mentioned in the Interim Result of first half of 2013, the recovery was still not too fast. In addition to reduce the engagement of subcontractors in CRD work for better control of operational risks and maintaining a better profit margin, the Group has taken its cautious approach in selection of projects with high profit margin and project owners with strong financial position which in turn caused the revenue generated from CRD Business segment in 2013 to fall about 18% but with an increase of about 4.3% in gross profit margin from that recorded for the year ended 31 December 2012. On the other hand, through Wuhan EPD project's highly satisfactory result, the performance of EPD and Water Management segment in 2013 was better than that of 2012 with 45.3% growth achieved respectively.

In December 2013, the Group successfully acquired a company, namely 江蘇省路港建設工程有限公司 (Jiangsu Province Lugang Construction Project Co., Ltd.*), which holds a first class main contractor license for the business of carrying out of port and waterway construction work, reclamation dredging construction work, lake and river water restoration and treatment work, and all levels of water channel maintenance work ("Lugang"). In addition to the improvement in our Group's qualification in both CRD and EPD and Water Management Business, the said acquisition also brought in one dredger for CRD work with the dredging capacity of about 19,000,000 cubic meters per annum. Hence, the aggregate annual dredging capacity of our Group's fleet of dredger for CRD Business was increased to approximately 80,000,000 cubic meters. This strategic move enhances the Group's capability and capacity to render different types of dredging services.

Regarding the capacity in relation to EPD and Water Management Business, our Group has taken necessary action to meet the demand. The building of new factory for the mass production of sludge dewatering equipment for the EPD work was almost completed by the year end of 2013. Our dredging capacity in relation to EPD work was only about 1,000,000 cubic meters per annum in 2013. The sludge de-watering equipment scheduled to be produced through our new factory will increase the Group's annual dredging capacity for EPD work to not less than 10,000,000 cubic meters by the end of 2015.

Outlook

We have seen that each segment of the dredging industry has picked up different growth momentum. The intensified contradiction between population explosion in first-tier cities and the continuous urban development against the shortage of land resources will continue to support future demand in reclamation. With the economy in US and Europe is on the recovery track, China's import and export will gradually improve and the harbor construction engineering work will speed up too. Given the worsening situation of polluted rivers and lakes in China, growing demand for EDP services is expected. Following the completion of our new factory, our Group's EPD capacity is able to be increased through the production of sludge dewatering equipment and the purchase of supporting EPD dredgers. As mentioned above, there is a project in Zhuzhou, Hunan of a total value in the sum of about RMB3 billion in the pipeline. Also, the good result achieved in Phase 1 of Wuhan EDP Project by the Group will very likely lead it to get the Phase 2 and Phase 3 of the said project that can genearate an aggregate value of about RMB700 million. In the event that the EPD project in Zhuzhou and/or other projects to be taken up by the Group will commence in Q2 or Q3 of 2014, our Group's revenue contributed by EPD and Water Management Business Segment is expected to grow and the growth will make the revenue generated from EPD and water Management Business Segment more or less in the same proportion as what the rest reportable segments will achieve in two to three years' time.

Although the potential of the Group's business in particular the EPD business is huge, the Group is still subject to challenges especially the high level of receivables for the time being. The directors take the view that the receivables will gradually be reduced as (i) the Central Government and Provincial Government have already indicated that they will contribute part of the funding requirements for EPD projects, the growth engine of the Group, thus the Group will be able to secure the settlement of the services payment for EPD work on time, (ii) an aggregate sum of more than RMB100 million receivables under Build & Transfer projects (the payment for the work will be made annually) will become due and payable to the Group in 2014 and (iii) a sum of not less than RMB100 million being instalment payment for the transfer of equity interest of Yongheng will be paid to the Group in 2014 by Hongji that paid the first two instalments in a total sum of RMB80 million in accordance with the schedule as mentioned in the paragraph headed "Liquidity and Financial Resources".

CORPORATE GOVERNANCE REPORT

The Group has applied the principles and adopted all code provisions, where applicable, of the code provisions as contained in "Corporate Governance Code and Corporate Governance Report" set out in Appendix 14 to the Listing Rules as the Group's own code of corporate governance ("CG Code"). The Directors consider that the Company has complied with all applicable code provisions under the CG Code except Code Provision A.6.7 of the CG Code. Pursuant to such Code Provision, among others, the independent non-executive Directors should attend general meetings. However, certain independent non-executive Directors were absent from the general meetings held during the year due to other engagements. To ensure compliance in the future, the Company will take all reasonable measures to arrange the schedule in such a cautious way that all Directors (including the independent non-executive Directors) can attend the general meetings.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with specific written terms of reference that have included the duties which are set out in CG Code provision C.3.3 with appropriate modification when necessary.

The major roles and functions of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the auditor of the Group. Regular meetings would be held by the Audit Committee according to its term of reference.

As at 31 December 2013, the Audit Committee comprised three independent non-executive Directors namely, Mr. Chan Ming Sun, Jonathan (Chairman), Ms. Peng Cuihong and Mr. Huan Xuedong.

The financial statements of the Group for the year ended 31 December 2013 were audited by the Company's auditor and reviewed by the Audit Committee.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2013.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 2013 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Company's shareholders and published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.cdep.com.hk) in due course.

By order of the Board
China Dredging Environment Protection Holdings Limited
Liu Kaijin
Joint chairman, executive Director
and chief executive officer

Hong Kong, 27 March 2014

As at the date of this announcement, the Board comprises Mr. Liu Kaijin as joint chairman, an executive Director and chief executive officer; Ms. Zhou Shuhua as an executive Director; Mr. Liu Longhua as a non-executive Director and joint chairman; and Mr. Huan Xuedong, Mr. Chan Ming Sun, Jonathan and Mr. Xu Hengju as independent non-executive Directors.

* *For identification purpose only*