China Dredging Environment Protection Holdings Limited
中國疏浚環保控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 871)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, together with the audited comparative figures for the year ended 31 December 2017 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 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*4*	**618,833**	650,924
Operating cost		**(497,112)**	(443,554)
Gross profit		**121,721**	207,370
Other income	*6*	**5,348**	18,059
Allowance for expected credit losses		**(246,055)**	—
Other gains and losses, net		**(14,701)**	20,202
Marketing and promotion expenses		**(11,513)**	(8,291)
Administrative expenses		**(52,063)**	(55,446)
Increase in fair value of investment properties		**17,400**	—
Finance costs		**(52,482)**	(70,660)
(Loss)/profit before tax		**(232,345)**	111,234
Income tax expense	*7*	**(22,150)**	(39,030)

	Notes	**2018** *RMB'000*	2017 *RMB'000*
(Loss)/profit for the year	*8*	**(254,495)**	72,204
Other comprehensive expense			
Item that will not be reclassified to profit or loss			
— Deficit on revaluation of properties under construction to investment properties		**(22,400)**	—
Total comprehensive (expense)/income for the year		**(276,895)**	72,204
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(281,047)**	71,040
Non-controlling interests		**4,152**	1,164
		(276,895)	72,204
(Loss)/earnings per share	*9*		
— basic (RMB cents)		**(18.46)**	4.80
— diluted (RMB cents)		**(18.46)**	4.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,457,160**	1,575,766
Prepaid land lease payments		**92,398**	95,190
Investment properties		**470,786**	413,194
Goodwill		**201**	201
Deposit paid for acquisition of property, plant and equipment		**13,153**	12,366
Deferred tax assets		**98,332**	103,323
Other intangible assets		**4,083**	4,417
Trade and other receivables due after one year	*11*	**1,908**	70,595
Contract assets		**34,662**	—
		2,172,683	2,275,052
CURRENT ASSETS			
Prepaid land lease payments		**2,908**	2,908
Trade and other receivables and prepayments	*11*	**1,125,061**	1,240,324
Bank balances and cash		**48,435**	69,505
		1,176,404	1,312,737
CURRENT LIABILITIES			
Trade and other payables	*12*	**378,433**	368,783
Amounts due to directors of the Company		**6,933**	9,602
Amounts due to non-controlling interests of a subsidiary		**1,764**	1,838
Tax payable		**102,083**	88,480
Bank borrowings	*13*	**324,670**	371,192
Other borrowings	*14*	**54,526**	64,527
Bonds payable	*15*	**254,916**	230,378
Contract liabilities		**22,136**	—
		1,145,461	1,134,800
NET CURRENT ASSETS		**30,943**	177,937
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,203,626**	2,452,989

	Notes	2018 RMB'000	2017 RMB'000
CAPITAL AND RESERVES			
Share capital		**149,577**	123,483
Reserves		**1,783,846**	2,056,923
Equity attributable to owners of the Company		**1,933,423**	2,180,406
Non-controlling interests		**155,203**	156,844
TOTAL EQUITY		**2,088,626**	2,337,250
NON-CURRENT LIABILITIES			
Amounts due to non-controlling interests of a subsidiary		**69,711**	68,252
Deferred tax liabilities		**11,034**	12,651
Other borrowings	*14*	**34,255**	34,836
		115,000	115,739
		2,203,626	2,452,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands and its shares ("Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate and ultimate holding company is Wangji Limited, a limited company incorporated in the British Virgin Islands, which is ultimately and wholly owned by Mr. Liu Kaijin ("Mr. Liu"), who is the Executive Director and Chairman 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"). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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.

For the purpose of 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 Holdings Group Limited* (江蘇興宇控股集團有限公司) (formerly known as 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 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 in the section headed "Contractual Arrangements".

As Jiangsu Xingyu and its subsidiaries, Xiangyu PRC and other companies comprising the Group have been under common control of Mr. Liu since their respective establishment dates, the Reorganisation including the execution of the Contractual Arrangements is considered as a business combination under common control. Accordingly, both Jiangsu Xingyu and its subsidiaries 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 company.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the year ended 31 December 2018, the Group had not settled the Bonds as defined in Note 15. When the Bonds fell due for repayment on 21 June 2018, and remained overdue for repayment as at the end of the reporting period. On 15 March 2019, the Company and CITIC Capital China Access Fund Limited (the "Bondholder" or "CITIC") entered into the sixth amendment agreement (the "Sixth Amendment Agreement") to further amend the terms and conditions of the Bonds, pursuant to which the Bondholder agreed to extend the due date for repayment of the Bonds. Under the latest of these amendment agreements, the Company needs to repay the principal amount of the Bonds of approximately HK$290,000,000 (equivalent to approximately RMB254,916,000) together with the interest amount due by 20 December 2019.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern as the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2018, after taking into consideration of the following:

(1) The Group continues to generate cash inflows from its operating activities by implementing measures to tighten cost controls over various operating expenses in order to improve its cash flows position and to generate greater positive cash inflows from its operations in the future;

(2) Since most of the bank borrowings as at 31 December 2018 of RMB324,670,000 were secured by the Group's assets, the Directors believe that it is highly probable that they can be renewed in the next twelve months; and

(3) As at 31 December 2018, the Group has unutilised banking facilities of RMB80,330,000 which will be available for use by the Group in the next twelve months.

On the basis of the above considerations, 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 Impacts and changes in accounting policies on application of HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including bank balances and cash, trade and other receivables, and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Lifetime ECL represents that ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and other receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

As at 31 December 2017, impairment loss allowance of RMB437,777,000 has been recognised and no additional expected credit loss allowance for trade receivables has been recognised as at 1 January 2018 against retained profits.

3.2 Impacts and changes in accounting policies on application of HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue*.

The Group recognises revenue from the following major sources:

- Provision of capital and reclamation dredging services and related consultation services

3. **APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)**

- Provision of dredging or water management services or constructions for promoting environmental interests and water quality

- Provision of marine hoisting, installation, salvaging, vessel chartering and other engineering services

- Provision of management and leasing of a shopping mall and the construction of a hotel

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Trade and other receivables due after one year			
— Retention receivables	59,098	(59,098)	—
Contract assets	—	59,098	59,098
Current liabilities			
Trade and other payables			
— Receipts in advance	17,014	(17,014)	—
Contract liabilities	—	17,014	17,014

As at 1 January 2018, retention receivables of HK$59,098,000 are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets.

As at 1 January 2018, advances from customers of RMB17,014,000 related to the consideration received for Capital and Reclamation Dredging Business and Environmental Protection Dredging and Water Management Business which was previously included in trade and other payables. These balances were reclassified to contract liabilities included in trade and other payables in the consolidated statement of financial position as at 1 January 2018 upon application of HKFRS 15.

Other than the adjustment made as described above, there is no material impact of transition to HKFRS 15 on the accumulated profits at 1 January 2018.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

3.3 Amendments to HKAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

4. REVENUE

Disaggregation of revenue from contracts with customers.

	2018	2017
	RMB'000	*RMB'000*
Segments		
Capital and Reclamation Dredging Business	**165,960**	281,589
Environment Protection Dredging and Water Management Business	**115,646**	130,223
Other Marine Business	**327,451**	232,572
Property Management Business	**9,776**	6,540
	618,833	650,924
Timing of revenue recognition		
At point in time	**—**	—
Over time	**618,833**	650,924
Total	**618,833**	650,924

The Group has a right to consideration from its customers in an amount that corresponds directly with the value to the customers of the Group's performance completed to date. As the Group bills its customers a fixed amount based on each portion of dredging works provided, the Group recognises revenue based on the amount it has a right to invoice.

The Group recognises revenue on the basis of the volume of dredging works performed and delivered to customers. The measurements of value of the dredging works transferred to customers are directly invoiced based on a quantitative measure of dredging, that is, a unit price for the material dredged per cubic meter is set forth in the contracts with customers and therefore the revenue is recognised based on the amount invoiced. As the Group's performance creates an asset that customer simultaneously receives and consumes, this method provides a faithful depiction of the transfer of an asset to the customer.

The transaction price of the Group is determined upon establishment of the contract that contains the unit price for the quantity dredged for dredging projects.

4. REVENUE (Continued)

Contract modifications are changes in the scope or price (or both) of a contract that are approved by the parties to the contract. The Group recognises a contract modification when the parties to a contract approve a modification that either creates new, or changes existing, enforceable rights and obligations of the parties to the contract. Contract modifications are included in the transaction price only if it is probable that the modification estimate will not result in a significant reversal of revenue. The nature of the Group's contracts seldom give rise to contract modifications based on historical information and thus contract modifications are not routine in the performance of the Company's contracts.

The majority of the Company's contracts have an original duration of less than one year, the practical expedient for contracts with durations of one year or less is applied and therefore does not consider the effects of the time value of money.

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

	2018	2017
	RMB'000	*RMB'000*
Customer A		
— Environmental Protection Dredging and Water Management Business	**66,499**	66,607
Customer B		
— Capital and Reclamation Dredging Business	**N/A**	71,820
Customer C		
— Capital and Reclamation Dredging Business	**N/A**	68,603

Note: Customers B and C did not contribute over 10% of the Group's total revenue for the year ended 31 December 2018. No other customers contributed over 10% of the Group's total revenue for the year ended 31 December 2018.

5. OPERATING SEGMENTS

The Group determines its operating segments based on the reports reviewed by the Executive Directors who are also the chief operating decision makers ("CODM"), 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.

Details of the Group's four reportable and operating 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) Other Marine Business mainly comprises marine hoisting, installation, salvaging, vessel chartering and other engineering services provided by the Group; and

(iv) Property Management Business refers to the management and leasing of a shopping mall and the construction of a hotel by the Group.

5. **OPERATING SEGMENTS (Continued)**

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*	**Other Marine Business** *RMB'000*	**Property Management Business** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2018					
Segment revenue	**165,960**	**115,646**	**327,451**	**9,776**	**618,833**
Segment results	**(83,019)**	**(92,431)**	**14,582**	**2,093**	**(158,775)**
Increase in fair value of investment properties					**17,400**
Other gains and losses, net					**(14,701)**
Unallocated other income					**3,230**
Unallocated corporate expenses					**(34,911)**
Unallocated finance costs					**(44,588)**
Loss before tax					**(232,345)**

	Capital and Reclamation Dredging Business *RMB'000*	Environmental Protection Dredging and Water Management Business *RMB'000*	Other Marine Business *RMB'000*	Property Management Business *RMB'000*	Total *RMB'000*
For the year ended 31 December 2017					
Segment revenue	281,589	130,223	232,572	6,540	650,924
Segment results	93,867	37,848	37,780	(3,490)	166,005
Unallocated other income					18,059
Other gains and losses, net					18,683
Unallocated corporate expenses					(29,097)
Unallocated finance costs					(62,416)
Profit before tax					111,234

5. **OPERATING SEGMENTS (Continued)**

Segment assets

	Capital and Reclamation Dredging Business	**Environmental Protection Dredging and Water Management Business**	**Other Marine Business**	**Property Management Business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
At 31 December 2018					
Segment assets	**1,642,495**	**388,354**	**527,533**	**682,914**	**3,241,296**
Unallocated assets:					
Prepaid land lease payments					**14,548**
Bank balances and cash					**48,435**
Others					**44,808**
Consolidated assets					**3,349,087**

	Capital and Reclamation Dredging Business	Environmental Protection Dredging and Water Management Business	Other Marine Business	Property Management Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017					
Segment assets	1,707,966	646,594	546,064	588,349	3,488,973
Unallocated assets:					
Prepaid land lease payments					14,866
Bank balances and cash					69,505
Others					14,445
Consolidated assets					3,587,789

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 CODM in total for the Group as a whole, the measure of total liabilities by reportable segments is therefore not presented.

6. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Government financial incentive *(note)*	**2,954**	9,717
Bank interest income	**168**	266
Interest income in respect of trade receivable	**1,672**	7,920
Sundry income	**554**	156
	5,348	18,059

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 ending in 2019 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.

The PRC local government authority confirmed that the amount for such financial incentive that the Group was entitled for the year ended 31 December 2018 was RMB2,954,000 (2017: RMB9,717,000). Accordingly, the Group recognised such amount as other income for the year.

7 INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
The charge comprises:		
Current tax		
PRC Enterprise Income Tax ("EIT")	**18,776**	40,746
Deferred taxation	**3,374**	(1,716)
	22,150	39,030

The tax charge for the year can be reconciled to the (loss)/profit before tax as follows:

	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(232,345)**	111,234
Tax at the PRC EIT rate of 25% (2017: 25%)	**(58,086)**	27,809
Tax effect of expenses not deductible for tax purpose	**79,714**	7,118
Tax effect of tax losses not recognised	**522**	4,103
Tax charge for the year	**22,150**	39,030

7 INCOME TAX EXPENSE (Continued)

(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 Company and its subsidiaries had no assessable profits arising in or derived from Hong Kong for both years.

8. (LOSS)/PROFIT FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,800**	1,868
Amortisation of other intangible assets	**334**	333
Amortisation of prepaid land lease payments	**2,792**	2,792
Depreciation of property, plant and equipment	**104,949**	101,398
Directors' emoluments	**2,925**	2,100
Other staff costs	**49,058**	44,102
Retirement benefit scheme contributions, excluding those of Directors	**6,646**	3,757
Total staff costs (including equity-settled share-based payment)	**58,629**	49,959
Gain on disposal of property, plant and equipment	**—**	(1,520)
Sub-contracting charges included in operating cost	**271,150**	192,595

9. (LOSS)/EARNINGS PER SHARE

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

	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss)/earnings per share	**(281,047)**	71,040
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,522,606,000**	1,478,064,000

The weighted average number of shares for the purposes of basic earnings per share for both years were calculated based on the weighted average number of shares in issue during both years. The computation of diluted loss per share for the year ended 31 December 2018 does not assume the exercise of share options since the assumed exercise would result in a decrease in loss per share.

As disclosed in Note 15, the conversion options embedded in the convertible bonds are no longer exercisable after the Original Maturity Date. As at 31 December 2017, the Group did not have any potential ordinary shares.

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2018 and 31 December 2017, nor has any dividend been proposed since the end of the reporting period.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2018	2017
	RMB'000	*RMB'000*
Non-current:		
Trade receivable, net of expected credit losses/impairment allowances	**—**	68,798
Value-added tax recoverable	**1,908**	1,797
	1,908	70,595
Current:		
Trade receivable, net of expected credit losses/impairment allowances	**1,035,691**	1,153,637
Bills receivable	**3,468**	4,150
Government financial incentive receivables	**14,842**	11,888
Prepayments	**50,280**	55,812
Deposits	**13,195**	4,786
Others	**7,585**	10,051
	1,125,061	1,240,324
	1,126,969	1,310,919

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The aged analysis of the Group's trade receivable, prepared based on the dates of certification of work done, which approximate the respective revenue recognition dates (net of credit losses for trade receivable), at the end of each reporting period is as follows:

Aged analysis of the Group's trade receivable

	2018	2017
	RMB'000	*RMB'000*
0–30 days	**74,841**	93,370
31–60 days	**27,916**	31,066
61–90 days	**24,419**	60,942
91–180 days	**77,703**	135,715
181–365 days	**154,249**	261,162
1 year–2 years	**249,592**	205,478
Over 2 years	**426,971**	434,702
	1,035,691	1,222,435

12 TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables		
Sub-contracting charge	**142,054**	122,881
Fuel cost	**10,002**	18,923
Repair and maintenance	**17,914**	23,667
Others	**5,695**	3,593
	175,665	169,064
Other payables		
Payable for property, plant and equipment	**—**	11,654
Payable for construction cost of investment properties	**82,715**	82,448
Accrual for other taxes	**61,442**	40,227
Accrual for staff salaries and welfare	**33,150**	25,848
Receipts in advance	**—**	18,215
Interest payable on the Bonds (as defined in Note 15)	**—**	849
Others	**25,461**	20,478
	202,768	199,719
	378,433	368,783

12 TRADE AND OTHER PAYABLES (Continued)

The aged analysis of the Group's trade payables presented based on the invoice date, except for sub-contracting charge which is presented based on dates of the progress certificates, as at the end of each reporting period is as follows:

	2018	2017
	RMB'000	*RMB'000*
0–30 days	**24,214**	51,147
31–60 days	**1,077**	6,810
61–90 days	**16,330**	19,414
91–180 days	**43,106**	13,111
Over 180 days	**90,938**	78,582
	175,665	169,064

13 BANK BORROWINGS

	2018	2017
	RMB'000	*RMB'000*
Secured bank borrowings		
Payment schedule according to contractual repayment terms		
Amount due for settlement within one year	**324,670**	371,192

14. OTHER BORROWINGS

	2018	2017
	RMB'000	*RMB'000*
Unsecured other borrowings		
Without fixed repayment term and classified as current liabilities	**54,526**	64,527
Classified as non-current liabilities	**34,255**	34,836
	88,781	99,363

15. BONDS PAYABLE

The Company issued unsecured convertible bonds (the "Bonds") to 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 with the maturity date of 7 November 2016 (the "Original Maturity Date"). The Bondholder, being CITIC, had an option to either convert the Bonds 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 Original Maturity Date, or to require the Company to redeem them at 133.792% of the nominal value of the Bonds, which amounted to approximately HK$325,115,000 (equivalent to approximately RMB290,818,000 based on spot exchange rate on 7 November 2016) (the "Original Redemption Amount"), upon maturity. The Company had no right to early redeem the Bonds.

15. BONDS PAYABLE (Continued)

At the time when the Bonds were issued, the Bonds were analysed by the management of the Group to contain two components, the host debt component and the conversion option. The Bonds are denominated in HK$, which is a currency other than the Company's functional currency. Therefore, the conversion option in the Bonds does not result in an exchange of a fixed number of the Company's own equity instruments for a fixed amount of cash, denominated in HK$. Accordingly, the conversion option was accounted for separately as a derivative liability, which was 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 was carried at amortised cost while the derivative component was measured at fair value, with changes in fair value recognised in profit or loss. The effective interest rate of the debt component was 16.9%.

The Group had not paid the Original Redemption Amount and the last interest payment on the Original Maturity Date to CITIC. During the year ended 31 December 2016, the Group and CITIC entered into a framework agreement on 14 November 2016 (as amended by supplemental framework agreements, collectively the "Framework Agreement") and a standstill and amended agreement and supplemental deed to the original deed poll regarding the Bonds (the "Amendment Agreement") on 15 December 2016, pursuant to which CITIC agreed to a) extend the maturity from the Original Maturity Date to 14 March 2017 and b) reduce the principal amount of Original Redemption Amount to approximately HK$275,415,000 (equivalent to approximately RMB246,381,000) based on spot exchange rate on 31 December 2016, subject to certain conditions as stated in the Amendment Agreement.

Furthermore, the conversion option under the Bonds was removed under the Amendment Agreement. Accordingly, no embedded derivative was recognised at 31 December 2016 and at the end of subsequent accounting periods.

During the year ended 31 December 2018, the Group has settled approximately HK$23,023,000, (equivalent to RMB19,402,000) to CITIC. The Bonds remained overdue for repayment as at 31 December 2018. On 21 March 2017, 5 June 2017, 21 September 2017, 23 January 2018 and 15 March 2019, the Company and CITIC had entered into the second amendment agreement, the third amendment agreement, the fourth amendment agreement, the fifth amendment agreement and the Sixth Amendment Agreement. As at 31 December 2018, the fifth amendment agreement was in effect pursuant to which the maturity date of the Bonds was extended such that based on the latest amendment agreement in effect, the Company needed to repay the principal amount of the Bonds of approximately HK$278,777,000 (equivalent to approximately RMB235,126,000) together with the interest due by 21 June 2018 with interest rate at an amended rate of 13% per annum. The Company failed to repay the abovementioned amounts in full on 21 June 2018, at which date the total amount outstanding, including the accrued interest amounted to approximately HK$293,671,000 (equivalent to approximately RMB247,630,000). On 15 March 2019, the Company and CITIC entered into the Sixth Amendment Agreement to amend the original maturity date to 20 December 2019, details of amendment are set out in Note 17. As at 31 December 2018, the total amount outstanding, including the accrued interest amounted to approximately HK$290,248,000 (equivalent to approximately RMB254,916,000).

Details of each of the agreements are set out in the announcements of the Company dated 7 November 2016, 15 November 2016, 16 November 2016, 16 December 2016, 22 March 2017, 5 June 2017, 22 September 2017, 1 December 2017, 23 January 2018 and 15 March 2019.

15. BONDS PAYABLE (Continued)

Based on the revised agreements, interest rate are as follows:

Period	Interest rate per annum
From 15 November 2016 and up to 14 December 2016	13%
From 15 December 2016 and up to 14 March 2017	15%
From 15 March 2017 and up to 4 June 2017	18%
From 5 June 2017 and up to 21 June 2017	13%
From 22 June 2017 and up to 21 September 2017	18%
From 22 September 2017 and up to 15 November 2017	13%
From 15 November 2017 and up to 22 January 2018	13%
From 23 January 2018 and up to 21 June 2018	13%
From 22 June 2018 and up to 20 December 2019	13%

Note: The above interest shall accrue on a day to day basis and be calculated on the basis of a 365-day calendar year on the Reduced Redemption Amount/revised principal amount and compounded on a monthly basis.

Under the abovementioned agreements entered into by the Company and CITIC, the Bonds are personally guaranteed by Mr. Liu and his spouse Ms. Zhou who are also the Directors of the Company, and equity interests in certain subsidiaries of the Company are pledged in favour of CITIC, a dredger and an industrial premise and a residential property owned by the Group included in property, plant and equipment and investment properties with carrying value of RMB260,378,000 as at 31 December 2018 (2017: RMB279,186,000).

The Bonds recognised in the consolidated statement of financial position are calculated as follows:

	Bonds payable
	RMB'000
At 1 January 2017	250,715
Interest	39,312
Settlement	(42,483)
Exchange realignment	(16,317)
At 31 December 2017	231,227
Interest	30,694
Settlement	(19,207)
Exchange realignment	12,202
At 31 December 2018	254,916

15. BONDS PAYABLE (Continued)

The bonds as the end of the reporting periods are represented by:

	At 31 December 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Interest payable within one year included in other payable	**—**	849
Bonds payable within one year	**254,916**	230,378
	254,916	231,227

16. RELATED PARTY DISCLOSURES

(i) Related party transactions

During the year, the Group paid rentals of RMB40,000 (2017: RMB96,000) to certain companies controlled by Mr. Liu in respect of office premises.

In addition, the Group received other advances from, and made repayments to, Mr. Liu during the year ended 31 December 2018 and 2017. As at 31 December 2018, the amount due to Mr. Liu was RMB3,803,000 (2017: RMB6,798,000).

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

As at 31 December 2018 and 2017, other than pledge of assets of the Group, the Group's bank borrowings and bonds payable 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.

Bank borrowing of the Group of RMB85 million (2017: RMB88 million) was supported by a property owned by a company in which Mr. Liu has beneficial interest.

17. EVENT AFTER THE REPORTING PERIOD

Extension of maturity of the Bonds

On 15 March 2019, CITIC and the Company entered into the Sixth Amendment Agreement to further amend the terms and conditions of the Bonds. Under the Sixth Amendment Agreement, it has been agreed that, among other matters, the principal amount of the Bonds shall be amended to HK$290,000,000 (equivalent to approximately RMB248,288,000) and the maturity date of the Bonds shall be amended to 20 December 2019 (the "New Maturity Date") with interest rates amended to 13% per annum.

17. EVENT AFTER THE REPORTING PERIOD (Continued)

In the event the Company prepays any sum of the outstanding principal amount of the Bonds that is not less than US$3,000,000 (equivalent to approximately RMB20,148,000) during the period as from 6 March 2019 and up to 30 April 2019 (both dates inclusive) ("Period 1"), the annual rate of interest applicable in respect of such sum shall be adjusted downward to become an annual rate of 11.70% (the "Interest Rate Adjustment (Period 1)"). In addition to the Interest Rate Adjustment (Period 1), the CITIC may in its absolute discretion grant to the Company an additional interest waiver in the amount of US$420,000 (equivalent to approximately RMB2,821,000).

In the event the Company prepays any sum of the outstanding principal amount of the Bonds during the period as from 1 May 2019 and up to 21 September 2019 (both dates inclusive), the annual rate of interest applicable in respect of such sum shall be adjusted downward to become an annual rate of 11.96%.

The Company agrees and undertakes to make a payment in the aggregated sum of not less than US$5,000,000 (equivalent to approximately RMB33,780,000) to the CITIC in respect of the Bonds in the period commencing from 6 March 2019 through 30 June 2019 (both dates inclusive).

The total amount payable by the Company to CITIC to redeem all the outstanding Bonds on the New Maturity Date (the "New Redemption Amount"), shall be equal to the sum of: (a) the aggregate principal amount of the Bonds outstanding then; and (b) interest accrued on such principal amount of the Bonds calculated in accordance with the Original Bond Conditions from 6 March 2019 to the New Maturity Date. Assuming that there have been no previous redemption of outstanding Bonds from 6 March 2019 to the 2019 Maturity Date, the New Redemption Amount on the Maturity Date shall be HK$319,483,000 (equivalent to approximately RMB273,553,000).

As at 31 January 2019, the Company has repaid RMB6,000,000 to CITIC.

Details are set out in the Company's announcement on 15 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is primarily engaged in dredging business, which can be divided into three main operating and reportable segments, namely, (i) capital and reclamation dredging business (the "CRD Business"); (ii) environmental protection dredging and water management business (the "EPD and Water Management Business"); and (iii) other works operated in marine sites such as hoisting wind power equipment, installing major parts of docks and bridges, as well as laying underwater pipelines and salvaging (the "Other Marine Business"). In addition, the Group engaged in property management business (the "Property Management Business") in respect of managing Easyhome Yancheng Shopping Mall.

Financial Review

Revenue

During the reporting period, the Group recorded a slight decrease by about 4.9% in total revenue from approximately RMB650.9 million for the year ended 31 December 2017 to approximately RMB618.8 million.

As regards the CRD Business segment, revenue of approximately RMB166.0 million was recorded for the reporting period, which decreased by about 41.1% as compared with the year ended 31 December 2017. The decrease in revenue was due to the slowdown of the implementation of the construction projects in dredging industry in the PRC and the implementation of a more robust and prudent policy by the Group in selecting new projects in recent years by taking into consideration the control of the operational risks and the timely collection of receivables.

Revenue of approximately RMB115.6 million was recorded for the EPD and Water Management Business segment, representing a decrease of about 11.2% from its corresponding segment revenue for the year ended 31 December 2017. The decrease was caused by the undesirable works progress of certain environmental protection dredging projects as their actual progresses depended on the collaboration with the local governments.

There has been a significant improvement for the Other Marine Business, which contributed revenue of approximately RMB327.5 million to the Group, representing a substantial increase of 40.8% as compared with approximately RMB232.6 million in the corresponding period of 2017. The increase primarily resulted from our Group's continuous focusing on the wind power field.

Revenue for the Property Management Business segment for the reporting period was approximately RMB9.8 million, which increased by about 49.5% from RMB6.5 million for the year ended 31 December 2017. Notwithstanding an income growth for such business, it could only bring a slight profit to the Group for the time being as it was still at the development stage.

Operating Cost and Gross Profit

The Group's operating cost increased from approximately RMB443.6 million for the year ended 31 December 2017 to approximately RMB497.1 million during the reporting period, representing an increase of about 12.1%. The increase was primarily caused by a corresponding rise in operating cost for the newly devised wind power projects of the Other Marine Business as well as diminished revenue for the CRD Business brought about by adopting a prudent operation strategy during the reporting period. Nonetheless, substantial costs such as depreciation of assets and maintenance of equipment did not change proportionately, which led to a decrease in gross profit margin. Such increase was collectively influenced by these two factors.

According to expected credit loss model under HKFRS 9 "Financial Instruments", the allowance for expected credit losses recognised on the trade receivables should be allocated to dredging segments as expenses resulting in the losses recorded for the segment results. In order to make reasonable comparisons between the 2017 and 2018 segment performance, the calculation of the following segment profit margin has not yet considered the impairment of the expected credit losses.

The Group recorded a gross profit of approximately RMB121.7 million during the reporting period, representing a decrease of about 41.3% as compared with approximately RMB207.4 million for the year ended 31 December 2017. Gross profit margin slightly dropped from 31.9% for the year ended 31 December 2017 to 19.7% for the reporting period. The decrease in gross profit was mainly due to the insufficient utilisation of production capacity of fleet and equipment resulting from the adoption of a more prudent operating strategy by the Group and also the decrease in the proportion of the CRD business and the EPD business, which have a higher gross profit margin, during the reporting period.

Gross profit margin for the CRD Business segment decreased from about 33.3% for the year ended 31 December 2017 to about 21.5% for the reporting period. Such decrease was primarily due to a drop in revenue for the CRD Business brought about by adopting a prudent operation strategy, while substantial costs such as depreciation of assets and maintenance of equipment did not change proportionately.

Gross profit margin for the EPD and Water Management Business segment stood at about 28.9% for the reporting period, which approximated the gross profit margin of about 29.1% for the year ended 31 December 2017.

During the reporting period, the gross profit margin for the Group's Other Marine Business segment decreased from 16.2% for the year ended 31 December 2017 to about 13.3% for the reporting period. Such decrease resulted from the increase in relatively higher up-front investment of the newly commenced projects of the Other Marine Business during the year.

Other Income

Other income decreased by about 70.4% to approximately RMB5.3 million during the reporting period as compared with the year ended 31 December 2017, primarily caused by the decrease in interest income from certain non-current trade receivables and government financial incentive during the reporting period.

Credit Loss Allowance

As a further prudent measure in managing the trade receivables and the contract assets, the allowance for expected credit losses on trade receivables and the contract assets of about RMB243.2 million about RMB2.9 million respectively, in total amount of RMB246.1 million, were recognised for the reporting period (2017: nil). Such allowance for expected credit losses was made based on the assessment in recoverability of such receivables in the future by the management after considering the "expected credit loss model" under the newly adopted HKFRS 9 "Financial Instruments".

Marketing and Promotion Expenses

Marketing and promotion expenses for the reporting period was approximately RMB11.5 million, representing an increase of about 38.9% as compared with approximately RMB8.3 million for the year ended 31 December 2017, which was mainly attributable to the increase in expenses relating to actively exploring the overseas markets and early entry into new businesses including wind power field.

Administrative Expenses

Administrative expenses for the reporting period amounted to approximately RMB52.1 million, representing a decrease of about 6.0% from RMB55.4 million for the year ended 31 December 2017. This was primarily due to the reduction of management expenses by the Group.

Foreign Exchange Difference

Due to the fluctuation in the foreign exchange rate during the reporting period, part of the Group's bank borrowings and bank deposits were denominated in United States dollars and Hong Kong dollars. The foreign exchange loss of approximately RMB14.7 million was recognised in the reporting period (31 December 2017: gain of approximately RMB18.7 million).

Finance Costs

Finance costs for the reporting period amounted to approximately RMB52.5 million, representing a significant decrease of about 25.7% from RMB70.7 million for the year ended 31 December 2017.

Income Tax Expense

Income tax expense decreased from approximately RMB39.0 million for the year ended 31 December 2017 to approximately RMB22.2 million for the reporting period.

Loss for the Year

Influenced by the above factors as a whole, the net loss for the reporting period was approximately RMB254.5 million as compared with a net profit of approximately RMB72.2 million for the year ended 31 December 2017.

Loss Per Share

Loss per share for the reporting period was RMB0.185 per share as compared to earnings per share of RMB0.048 per share in the year ended 31 December 2017.

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 mitigate the adverse effects of these risks on its financial performance in full measure.

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 currency, and save for bonds and certain bank borrowings and deposits denominated in United States dollars and Hong Kong dollars, the foreign exchange loss recognised during the reporting period was approximately RMB14.7 million (31 December 2017: gain of approximately RMB18.7 million). The Group is giving full attention to respond to the related foreign exchange rate risks.

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 instruments. Nonetheless, the Group will continue to closely monitor its related interest rate exposure.

Financial Position

As at 31 December 2018, the total equity of the Group amounted to approximately RMB2,088.6 million (31 December 2017: approximately RMB2,337.3 million). The decrease in total equity was mainly attributable to the credit loss allowance for the reporting period.

The Group's net current assets as at 31 December 2018 amounted to approximately RMB30.9 million (31 December 2017: approximately RMB177.9 million). The current ratio, which is calculated by dividing current assets by current liabilities, was 1.03 as at 31 December 2017 (31 December 2017: 1.16).

Liquidity and Financial Resources

The Group adopts prudent cash and financial management policies. In order to achieve better cost control and reduce capital cost, 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 current assets were cash and various bank deposits which was about RMB48.4 million in total as at 31 December 2018, representing a decrease by about 30.3% as compared with that of approximately RMB69.5 million as at 31 December 2017.

During the reporting period, the Company received the gross proceeds of about HK$35.5 million (equivalent to about RMB31.3 million) in respect of the issue of the new Shares.

The Group's trade receivables as at 31 December 2018 amounted to approximately RMB1,035.7 million (2017: approximately RMB1,222.4 million), representing a decrease by 15.3% for the corresponding period of the preceding year.

As at 31 December 2018, total liabilities of the Group amounted to approximately RMB1,260.5 million (31 December 2017: RMB1,250.5 million). The Group's gearing ratio (calculated by interest bearing instruments (including bank borrowings, other borrowings and bonds payable) divided by total equity) slightly increased to 32.0% (2017: 28.5%).

Capital Structure of the Group

Capital structure of the Group consists of debts, which include amounts due to non-controlling interests of a subsidiary, bank borrowings, other borrowings and bonds payable and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through new share issues and share buybacks as well as the issue of new debts or the redemption of existing debts.

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. During the reporting period, most transactions were denominated and settled in Renminbi. The Group recorded a net exchange loss amounting to RMB14.7 million during the Period.

Charge over Assets of the Group

As at 31 December 2017, the Group's bank borrowings were secured by charges over certain dredgers and land owned by the Group, a property owned by a company in which Mr. Liu has beneficial interest and personal guarantees by Mr. Liu and Ms. Zhou. There were also intragroup 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.

The Group pledged over a dredger, an industrial premise located in Jiangsu Province, the PRC and a residential property located in Shandong Province, the PRC in favour of the Bondholder and/or its affiliates. For more details, please refer to the Company's announcements dated 15 November 2016 and 5 June 2017.

Material Acquisitions and Disposals

The Group had no material investments in or material acquisitions or disposals of subsidiaries during the current year.

Capital Commitments and Contingent Liabilities

As at 31 December 2018, the Group had capital commitments of approximately RMB67.2 million (31 December 2017: approximately RMB72.8 million), which mainly included the construction cost of the hotel.

As at 31 December 2017, the Group did not have any material contingent liabilities (31 December 2016: nil).

Business Review

The Group recorded an operating revenue of approximately RMB618.8 million and gross profit of approximately RMB121.7 million, representing a decrease of 4.9% and 41.3% respectively for the corresponding period of the preceding year. The decrease in operating revenue primarily resulted from the slowdown of the implementation of the construction projects in dredging industry in the PRC and the implementation of a more robust and prudent policy by the Group in selecting new projects in recent years by taking into consideration the control of the operational risks and the collection of receivables on time. Despite a drop in revenue, substantial costs such as depreciation of assets and maintenance of equipment did not change proportionately, which led to a decrease in gross profit.

The CRD Business is a core business of the Group. The Group has undertaken and commenced new projects during the reporting period, including the dispatch several large dredgers to Bangladesh, Cambodia and Thailand to undertake a number of dredging projects. The decreased revenue generated by such business segment was attributable to greater variations in the volatility of new project construction conditions and the great uncertainty in collection of receivables in the industry. The Group adopts a robust and prudent operating strategy, reflected by a better understanding of the background and a more detailed and thorough due diligence review of proposed new contracted construction projects, to ensure an effective control of various possible operational risks as well as the collection of receivables.

The Group develops and expands the EPD and Water Management Business segment proactively. The Group recorded a decrease in revenue during the reporting period, which was attributable to the slow progress in implementing certain environmental protection dredging projects.

Other Marine Business includes installing marine wind power equipment, hoisting major parts of docks and bridges, laying underwater pipelines and other works services. With the development of the global economy, wind power (being a clean and renewable energy) market also developed rapidly. Currently, there is great enthusiasm to build marine wind power constructions in mainland China. The Group continues to retrofit certain vessels to capture more business opportunities.

Easyhome Yancheng Shopping Mall, located in the administrative centre of Yandu District, Yancheng City, Jiangsu Province, the PRC and the core area of Yancheng National High-tech Industrial Development Zone with a gross floor area of 75,600 square metres, is mainly used for leasing under the Property Management Business. The shopping mall was positioned as a largescale shopping center with domestic construction materials as its theme, offering one-stop services from furniture, housewares to decoration materials to customers. As for now, there are about 100 tenants in Easyhome Yancheng Shopping Mall which include renowned houseware brands such as Steel-Land, Cheers, M&Z Furniture, Landbond Minim and Telonang. The Group expects to gain popularity, raise brand influence and receive long-term and stable rental income through adopting the "Easyhome Yancheng" brand and its operational model, to provide stable cash flow support for the Group's further development of environmental protection business.

In addition to the operation and lease of shopping malls, the Group also commenced the construction of a 17-storey hotel with 200 guest rooms located at the west of Caihong Road, Yancheng City, Jiangsu Province in the year of 2016, with a gross floor area of 20,000 square metres. The related construction work of the hotel is still progressing and is expected to be completed by 2019.

EVENT AFTER END OF REPORTING PERIOD

On 15 March 2019, the Company and the Bondholder entered into the Sixth Amendment Agreement to further amend the terms and conditions of the Bonds. Under the Sixth Amendment Agreement, the principal amount of the Bonds shall be amended to about HK$290.0 million and the maturity date of the Bonds shall be extended to 20 December 2019 with interest rate of 13% per annum. Assuming that there have been no previous redemption of outstanding Bonds, the redemption amount on the 20 December 2019 shall be about HK$319.5 million. For more details, please refer to the Company's announcement dated 15 March 2019.

EMPLOYEES AND REMUNERATION POLICY

The sustained development of our business leverages on the ongoing contributions by our employees. The Board considers employees the Group's most valuable wealth and is committed to improving their growth environment, providing them competitive remuneration packages and safeguarding their health and safety. As at 31 December 2018, the Group had 567 (2017: 629) employees. The total staff cost for the Reporting Period was about RMB57.3 million (2017: RMB50.0 million). The Group's remuneration policy is basically determined by the Directors based on the performance of individual employees and market conditions. In addition to salaries and discretionary bonuses, employee benefits include pension contributions and options which may be granted under share option scheme (under which options to subscribe for Shares that could be granted to independent non-executive Directors would be subject to the applicable conditions and independence restrictions as set out in the Listing Rules).

During the year under review, the Group did not experience any strikes, work stoppages or significant labour disputes which affected its operations in the past and it did not experience any significant difficulties in recruiting and retaining qualified staff.

OUTLOOK

Looking into the year of 2019, the Group will carry on with its efforts to enhance the effectiveness of its dredging business and expects to bring reasonable returns to the Group's shareholders through obtaining more works contracts in mainland China by virtue of our rich construction experience on dredging projects. In addition, with the support under the "One Belt One Road" strategy, the Group has commenced several overseas projects and will continue to expand more overseas markets including Southeast Asian markets.

For capital operation, based on the progress of its substantial construction projects, the Group will actively identify and materialise healthy and feasible financial plans, thus strengthening the flexibility of capital resources and enhancing the capital structure of the Group, so as to satisfy, support and meet the Group's business development. Meanwhile, the Company will continue to seek opportunities to raise additional funds to redeem the relevant Bonds. When there is any material development made, the Company will timely inform its shareholders and potential investors.

CORPORATE GOVERNANCE CODE

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 (the "CG Code"). The Directors consider that the Company has complied with all applicable code provisions under the CG Code during the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' dealings in the Company's securities.

Having made specific enquiry to the Directors, all Directors had confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 December 2018.

AUDIT COMMITTEE

The Company has established an audit committee of the Board (the "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, the review of the Group's financial information and the review of the relationship with the auditor of the Group. Regular meetings would be held by the Audit Committee according to its terms of reference.

As at 31 December 2018, the Audit Committee comprised three independent non-executive Directors namely, Mr. Chan Ming Sun, Jonathan (chairman), Mr. Huan Xuedong and Mr. Liang Zequan.

The financial statements of the Group for the year ended 31 December 2018 were audited by the Company's auditor and reviewed by the Audit Committee.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: nil).

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 2018.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on this preliminary results announcement.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 2018 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.hkexnews.hk) and the Company (www.cdep.com.hk) in due course.

By order of the Board
China Dredging Environment Protection Holdings Limited
Liu Kaijin
Chairman and executive Director

Hong Kong, 28 March 2019

As at the date of this announcement, the Board comprises Mr. Liu Kaijin as Chairman and Executive Director; Mr. Wu Bin as Vice Chairman and Executive Director; Mr. Wu Xuze as Executive Director and Chief Executive Officer; Ms. Zhou Shuhua as Executive Director; and Mr. Huan Xuedong, Mr. Chan Ming Sun Jonathan and Mr. Liang Zequan as Independent Non-executive Directors.

* *For identification purpose only*