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 AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Reference is made to the announcement of the Company dated 31 March 2021 in relation to the unaudited consolidated results of the Group for the year ended 31 December 2020 (the "**Unaudited Annual Results Announcement**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Unaudited Annual Results Announcement.

AUDITED ANNUAL RESULTS

The Board is pleased to announce that the Group's auditor, Moore Stephens CPA Limited, has completed its audit of the annual results of the Group for the year ended 31 December 2020 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. As certain adjustments have been made to the Group's financial figures as contained in the Unaudited Annual Results Announcement, the differences between the unaudited annual results and the audited annual results contained in this announcement are set out in the section headed "Material Differences between Unaudited and Audited Annual Results". The audited annual results for the year ended 31 December 2020 are set out below.

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	4	**286,341**	442,368
Operating cost		**(329,895)**	(391,004)
Gross (loss)/profit		**(43,554)**	51,364
Other income	6	**2,176**	1,295
Allowance for expected credit losses, net of reversal		**(149,956)**	(333,685)
Impairment loss on property, plant and equipment and right-of-use assets		**(253,985)**	—
Other gains and losses, net		**25,610**	(5,590)
Marketing and promotion expenses		**(6,047)**	(7,681)
Administrative expenses		**(75,590)**	(65,722)
Changes in fair value of investment properties		**19,400**	(6,286)
Finance costs		**(43,389)**	(45,050)
Loss before tax		**(525,335)**	(411,355)
Income tax expense	7	**(12,029)**	(110,673)
Loss and comprehensive expense for the year	8	**(537,364)**	(522,028)
Loss for the year attributable to:			
Owners of the Company		**(526,583)**	(517,586)
Non-controlling interests		**(10,781)**	(4,442)
		(537,364)	(522,028)
Total comprehensive expense attributable to:			
Owners of the Company		**(526,583)**	(517,586)
Non-controlling interests		**(10,781)**	(4,442)
		(537,364)	(522,028)
Loss per share	9		
— basic and diluted (RMB cents)		**(55.01)**	(58.30)

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**1,039,088**	1,385,482
Right-of-use assets		**86,276**	94,591
Investment properties		**483,900**	464,500
Goodwill		**201**	201
Interest in an associate		**150**	—
Deposit paid for acquisition of property, plant and equipment		**18,752**	8,421
Other intangible assets		**3,417**	3,750
Trade and other receivables and prepayments	*11*	**145,471**	2,338
Contract assets		**19,064**	11,613
		1,796,319	1,970,896
Current assets			
Trade and other receivables and prepayments	*11*	**576,754**	863,660
Contract assets		**5,983**	—
Bank balances and cash		**29,309**	12,612
		612,046	876,272
Current liabilities			
Trade and other payables	*12*	**359,371**	377,939
Amounts due to directors of the Company		**44,855**	11,334
Amounts due to non-controlling shareholders of a subsidiary		**2,257**	3,060
Tax payable		**60,218**	105,952
Bank borrowings	*13*	**293,400**	297,000
Other borrowings	*14*	**78,943**	54,090
Bonds payable	*15*	**287,482**	286,804
Contract liabilities		**42,364**	22,010
Lease liabilities		**605**	1,263
		1,169,495	1,159,452
Net current liabilities		**(557,449)**	(283,180)
Total assets less current liabilities		**1,238,870**	1,687,716

	Notes	2020 RMB'000	2019 RMB'000
Capital and reserves			
Share capital		**167,914**	150,365
Reserves		**740,213**	1,266,504
Equity attributable to owners of the Company		**908,127**	1,416,869
Non-controlling interests		**129,731**	146,305
Total equity		**1,037,858**	1,563,174
Non-current liabilities			
Amounts due to non-controlling shareholders of a subsidiary		**61,387**	68,502
Deferred tax liabilities		**27,260**	17,256
Other borrowings	*14*	**110,510**	37,915
Lease liabilities		**1,855**	869
		201,012	124,542
		1,238,870	1,687,716

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands and its 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 Board.

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has incurred loss for the year ended 31 December 2020 amounting to RMB537,364,000 and net current liabilities of RMB557,449,000 as at 31 December 2020. As at 31 December 2020, the Group had not settled the Bonds as defined in Note 15 which had become due, with the outstanding principal amount and interest amounting to HK$315,923,000 (equivalent to RMB265,045,000) and HK$26,727,000 (equivalent to RMB22,437,000) respectively.

Pursuant to the Seventh Amendment Agreement as defined in Note 15, the Company shall be deemed to have repaid the Bonds in full if the Company repays the Bondholder an amount of HK$98,359,000 on or before 31 March 2021. On 30 March 2021, the Company repaid HK$98,359,000 to the Bondholder in pursuant with term c) set out in the Seventh Amendment Agreement as defined in Note 15 and the management of the Company considers that the Company is deemed to have repaid and settled the Bonds in full.

In preparing the consolidated financial statements, the directors of the Group (the "Directors") have given careful consideration to the future liquidity of the Group.

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. The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Nevertheless, the consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern, 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. **BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(2) Since most of the bank borrowings as at 31 December 2020 of RMB293,400,000 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;

(3) The Directors also believe that it is highly probable that other borrowings as at 31 December 2020 of RMB78,943,000 can be renewed in the next twelve months; and

(4) The Directors do not intend to demand repayment of amounts due to directors amounted to RMB44,855,000 as at 31 December 2020 until the Group has sufficient cash to make repayment.

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

3.1 *Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

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

3.2 *Impacts on application of Amendments to HKFRS 3 Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

4. REVENUE

Disaggregation of revenue from contracts with customers

	2020	2019
	RMB'000	*RMB'000*
Segments		
Capital and Reclamation Dredging Business	**71,421**	145,031
Environment Protection Dredging and Water Management Business	**49,080**	47,910
Other Marine Business	**158,940**	241,678
Property Management Business	**6,900**	7,749
	286,341	442,368
Timing of revenue recognition		
At point in time	**—**	—
Over time	**286,341**	442,368
Total	**286,341**	442,368

4. REVENUE (Continued)

For Capital and Reclamation Dredging Business and Environment Protection Dredging and Water Management Business, 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 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.

For Other Marine Business, the Group provides marine hoisting, installation, salvaging, vessel chartering and other engineering services to clients and recognises revenue over time based on the progress of the services provided.

For Property Management Business, the Group provides property management services to its tenants in a shopping mall and factories and recognises monthly property management fee over time.

The majority of the Company's contracts are short-term contracts and have a duration of less than one year, the practical expedient for contracts with durations of one year or less is applied and therefore the effect of the time value of money is not considered.

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

	2020	2019
	RMB'000	*RMB'000*
Customer A		
— Environmental Protection Dredging and Water Management Business	**45,786**	N/A
Customer B		
— Capital and Reclamation Dredging Business	**N/A**	69,371
Customer C		
— Other Marine Business	**31,193**	N/A

Note: Customer B did not contribute over 10% of the Group's total revenue for the year ended 31 December 2020. Other than customers A and C, no other customers contributed over 10% of the Group's total revenue for the year ended 31 December 2020.

5. OPERATING SEGMENTS

The Group determines its operating segments based on the reports reviewed by the Executive Directors of the Company who are also the chief operating decision makers ("CODM"), that are used to make strategic decisions. Information reported to the CODM 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 factories and the construction of a hotel 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*	Other Marine Business *RMB'000*	Property Management Business *RMB'000*	Total *RMB'000*
For the year ended 31 December 2020					
Segment revenue	**71,421**	**49,080**	**158,940**	**6,900**	**286,341**
Segment results	**(408,850)**	**(82,538)**	**7,305**	**272**	**(483,811)**
Changes in fair value of investment properties					**19,400**
Allowance for expected credit losses					**(167)**
Other gains and losses, net					**25,263**
Unallocated other income					**1,465**
Unallocated corporate expenses					**(51,068)**
Unallocated finance costs					**(36,417)**
Loss before tax					**(525,335)**

5. OPERATING SEGMENTS (Continued)

Segment results (Continued)

	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 2019					
Segment revenue	145,031	47,910	241,678	7,749	442,368
Segment results	(219,513)	(72,630)	2,270	1,931	(287,942)
Changes in fair value of investment properties					(6,286)
Allowance for expected credit losses					(28,186)
Other gains and losses, net					(5,767)
Unallocated other income					77
Unallocated corporate expenses					(48,197)
Unallocated finance costs					(35,054)
Loss before tax					(411,355)

5. OPERATING SEGMENTS (Continued)

Segment assets

	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*
At 31 December 2020					
Segment assets	**809,198**	**237,818**	**622,441**	**651,271**	**2,320,728**
Unallocated assets:					
Right-of-use assets					**9,845**
Bank balances and cash					**29,309**
Others					**48,483**
Consolidated assets					**2,408,365**

	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*
At 31 December 2019					
Segment assets	1,247,701	350,876	520,469	625,535	2,744,581
Unallocated assets:					
Right-of-use assets					14,230
Bank balances and cash					12,612
Others					75,745
Consolidated assets					2,847,168

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

	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**51**	133
Sundry income	**2,125**	1,162
	2,176	1,295

7. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
The charge comprises:		
Current tax		
PRC Enterprise Income Tax ("EIT")	**2,025**	6,119
Deferred taxation	**10,004**	104,554
	12,029	110,673

(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 FOR THE YEAR

	2020 *RMB'000*	2019 *RMB'000*
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,648**	1,852
Amortisation of other intangible assets	**333**	333
Depreciation of property, plant and equipment	**104,407**	105,974
Depreciation of right-of-use assets	**3,942**	4,024
Directors' emoluments	**1,900**	1,900
Other staff costs	**40,980**	37,919
Retirement benefit scheme contributions, excluding those of Directors	**8,357**	5,939
Total staff costs (including equity-settled share-based payment)	**51,237**	45,758
Impairment loss on		
— Property, plant and equipment	**248,130**	—
— Right-of use assets	**5,855**	—
Gain on disposal of property, plant and equipment, net	**(2,988)**	(177)
Sub-contracting charges included in operating cost	**113,015**	192,894
Gross rental income from investment properties	**(6,785)**	(7,749)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**331**	488
direct operating expenses incurred for investment properties that did not generate rental income during the year	**77**	155
	(6,377)	(7,106)

9. LOSS PER SHARE

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

	2020 *RMB'000*	2019 *RMB'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(526,583)**	(517,586)

	2020	2019 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (adjusted to reflect Share Consolidation effective on 9 March 2021 (see Note 17))	**957,170,900**	887,737,962

9. LOSS PER SHARE (Continued)

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted to reflect the effect of the Share Consolidation as defined in Note 17.

The computation of diluted loss per share for the year ended 31 December 2020 and 31 December 2019 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the period from 20 January 2020 to 31 December 2020 (2019: 1 January 2019 to 10 October 2019). As at 31 December 2020 and 31 December 2019, the Group did not have other potential ordinary shares.

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020 and 31 December 2019, nor has any dividend been proposed since the end of the reporting period.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020	2019
	RMB'000	*RMB'000*
Non-current:		
Value-added tax recoverable	**2,582**	2,338
Prepayment for construction of a vessel and equipments	**129,071**	—
Prepayment	**13,818**	—
	145,471	2,338
Current:		
Trade receivables	**1,633,251**	1,766,712
Less: Allowance for credit losses	**(1,136,100)**	(989,153)
Trade receivable, net of expected credit losses	**497,151**	777,559
Bills receivable	**21,516**	7,472
Government financial incentive receivables, net	**6,017**	14,636
Prepayments, net	**30,177**	42,156
Deposits, net	**17,030**	13,187
Others, net	**4,863**	8,650
	576,754	863,660
	722,225	865,998

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, net of ECL

	2020	2019
	RMB'000	*RMB'000*
0–30 days	**68,224**	62,555
31–60 days	**9,690**	45,113
61–90 days	**3,094**	4,110
91–180 days	**9,413**	23,492
181–365 days	**42,336**	123,490
1 year–2 years	**74,573**	224,859
Over 2 years	**289,821**	293,940
	497,151	777,559

12. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables		
Sub-contracting charge	**101,315**	124,581
Fuel cost	**2,030**	2,757
Repair and maintenance	**14,888**	16,869
Others	**18,922**	7,933
	137,155	152,140
Other payables		
Payable for construction cost of investment properties *(note)*	**73,945**	82,640
Accrual for other taxes	**53,362**	60,339
Accrual for staff salaries and welfare	**35,018**	40,807
Others	**59,891**	42,013
	222,216	225,799
	359,371	377,939

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:

	2020	2019
	RMB'000	*RMB'000*
0–30 days	**15,798**	6,100
31–60 days	**19,563**	4,528
61–90 days	**983**	586
91–180 days	**3,014**	8,993
Over 180 days	**97,797**	131,933
	137,155	152,140

Note: As at 31 December 2020, based on invoice date, RMB73,873,000 (2019: RMB81,867,000) of the other payables for construction cost for investment properties has been due for over 1 year.

13. BANK BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Secured bank borrowings		
Payment schedule according to contractual repayment terms		
Amount due for settlement within one year	**293,400**	297,000

14. OTHER BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Unsecured other borrowings		
Without fixed repayment term and classified as current liabilities	**52,650**	54,090
Classified as non-current liabilities	**24,277**	37,915
Secured other borrowings		
With fixed repayment term and classified as current liabilities	**26,293**	—
Classified as non-current liabilities	**86,233**	—
	189,453	92,005

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 HK$325,115,000 (equivalent to 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.

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 HK$275,415,000 (equivalent to 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.

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. During 2019, the sixth amendment agreement was in effective pursuant to which the maturity date of the Bonds was extended to 20 December 2019 such that based on the latest amendment agreement in effect, the Company needed to repay the Bonds of HK$319,483,000 (equivalent to RMB268,045,000) together with the interest due by 20 December 2019 with interest rate at an amended rate of 13% per annum.

The Company had not repaid the abovementioned amounts in full on 20 December 2019, at which date the total amount outstanding, including the accrued interest amounted to HK$319,483,000 (equivalent to RMB285,890,000). As at 31 December 2019, the total amount outstanding, including the accrued interest rate at 13% per annum amounted to HK$320,503,000 (equivalent to RMB286,804,000).

15. BONDS PAYABLE (Continued)

During the year ended 31 December 2020, the Group has settled approximately HK$3,560,000 (equivalent to RMB3,000,000) (2019: HK$6,838,000, equivalent to RMB6,030,000) to CITIC. On 3 December 2020, the Company and CITIC had entered into the seventh amendment agreement, (the "Seventh Amendment Agreement") to extend the Original Maturity Date to 31 March 2021. Pursuant to the Seventh Amendment Agreement, it has been agreed that, a) the principal amount of the Bonds shall be amended to HK$319,483,000 (equivalent to RMB268,045,000); b) the redemption amount of the Bonds shall be amended to HK$352,447,000 (equivalent to RMB295,702,000) including the interest accrued at 8% per annum; and c) if the Company repays CITIC an amount of HK$98,359,000 on or before 31 March 2021, the Company shall be deemed to have repaid the Bonds in full. The Company has repaid HK$98,359,000 to CITIC on 30 March 2021 in pursuant with the above terms set out in the Seventh Amendment Agreement, such bonds payable have been fully settled.

The arrangement in relation to (a) and (b) under the Seventh Amendment Agreement as mentioned above resulted in a substantial modification of terms of the Bonds, resulting in an extinguishment of the original Bonds and the recognition of new Bonds, a modification gain of HK$325,000 is recognised in profit or loss.

Under the abovementioned agreements entered into by the Company and CITIC, the Bonds are personally guaranteed by Mr. Liu and his spouse Ms. Zhou Shuhua ("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 RMB198,360,000 as at 31 December 2020 (2019: RMB245,157,000).

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, 15 March 2019 and 3 December 2020.

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

Period	**Interest rate per annum**
From 22 June 2018 and up to 20 December 2019	13%
From 21 December 2019 and up to 31 March 2021	8%

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.

15. BONDS PAYABLE (Continued)

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

	Bonds payable
	RMB'000
At 1 January 2019	254,916
Interest	32,714
Settlement	(6,030)
Exchange realignment	5,204
At 31 December 2019	286,804
Gain on modification of bonds payable	(325)
Interest	22,857
Settlement	(3,000)
Exchange realignment	(18,854)
At 31 December 2020	287,482

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

	At 31 December 2020	At 31 December 2019
	RMB'000	*RMB'000*
Bonds payable on demand	**—**	286,804
Bonds payable within one year	**287,482**	—

16. RELATED PARTY DISCLOSURES

(i) Related party transactions

During the year, the Group paid nil rental (2019: RMB40,000) 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 years ended 31 December 2020 and 2019. As at 31 December 2020, the amount due to Mr. Liu was RMB40,900,000 (2019: RMB7,434,000).

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

As at 31 December 2020 and 2019, 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 Jiangsu Xiangyu Port Construction Project Administration Company Limited* (江蘇翔宇港建工程管理有限公司) ("Xiangyu PRC");

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

16. RELATED PARTY DISCLOSURES (Continued)

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

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

Bank borrowing of the Group of RMB81 million (2019: RMB82 million) was supported by a property owned by a company in which Mr. Liu has beneficial interest.

(iii) Pledge of assets and guarantees in support of the Group's construction of a vessel and equipments

As at 31 December 2020, other than pledging a vessel of the Group, the Group's construction of a vessel and equipments was also supported by personal guarantees provided by Mr. Liu and Ms. Zhou.

17. EVENT AFTER THE REPORTING PERIOD

Share placings

On 14 January 2021, the Management has proposed to implement share consolidation (the "Share Consolidation") on the basis that every 2 shares of HK$0.1 each be consolidated into 1 consolidated share of HK$0.2 each. Up to 8 March 2021, the authorised share capital of the Company is HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each, of which 1,991,283,000 shares have been allotted and issued, and are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective on 9 March 2021, the authorised share capital of the Company will become HK$1,000,000,000 divided into 5,000,000,000 Shares of HK$0.20 each, of which 995,641,500 Consolidated Shares will be in issue.

On 14 January 2021, Mr. Liu has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 508,240,000 new Consolidated Shares at the Subscription Price of HK$0.20 per Subscription Share to Mr. Liu, with an aggregate consideration of HK$101,648,000 (the "Subscription"). After deducting related professional fees and all related expenses which will be borne by the Company in relation to the Subscription, the net proceeds of the Subscription will amount to approximately HK$99,600,000. The net proceeds of approximately HK$98,400,000 from the Subscription will be used to fully redeem the Bonds (see Note 15) and the remaining balance of approximately HK$1,200,000 will be used as general working capital of the Company. Before the Share Consolidation and Subscription, Mr. Liu is deemed to hold 387,159,000 shares, representing 19.44% shareholding of the Company, which was consolidated into 193,579,500 shares after the Share Consolidation. After the Subscription and the Share Consolidation, Mr. Liu is deemed to hold 701,819,500 shares, representing 46.67% shareholding of the Company. The Subscription has constituted a connected transaction of the Company. On 30 March 2021, the Subscription has been completed.

Further details of this transaction are set out in the Company's announcements dated 14 January 2021, 3 February 2021, 5 March 2021 and 30 March 2021.

Outbreak of Coronavirus Disease 2019

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. The continuous outbreak of COVID-19 is expected to have a negative impact on the global economic environment, which in turn, is likely to affect the Group's revenue and profit. How effective government measures are, in the countries that the Group operates, and how quickly global economics recover from the negative impact of this pandemic, may have an effect on the Group's financial results for the year ending 2021. The Group will pay close attention on the change of the situation and make timely response and adjustments in the future.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Annual Results Announcement was neither audited nor agreed with Moore Stephens CPA Limited as at the date of their publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with rule 13.49(3)(ii)(b) of the Listing Rules.

Items for the year ended 31 December 2020	**Disclosure in this announcement** *(RMB'000)*	**Disclosure in the Unaudited Annual Results Announcement** *(RMB'000)*	**Difference** *(RMB'000)*	**Notes**
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Impairment loss on property, plant and equipment and right-of-use assets	(253,985)	(242,509)	(11,476)	1
Finance costs	(43,389)	(36,627)	(6,762)	2
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Non-current assets				
Property, plant and equipment	1,039,088	1,053,734	(14,646)	1,2
Right-of-use assets	86,276	92,131	(5,855)	1
Trade and other receivables and prepayments	145,471	129,390	16,081	2,3
Current assets				
Trade and other receivables and prepayments	576,754	590,572	(13,818)	3

Notes:

1. The difference in impairment losses on property, plant and equipment and right-of-use assets was approximately RMB11 million, mainly due to further increase in provision for impairment.

2. The difference in finance costs was approximately RMB7 million, mainly due to a decrease in amounts to be capitalised in the cost of qualifying assets included in property, plant and equipment and trade and other receivables and prepayments.

3. The difference in trade and other receivables and prepayments was approximately RMB14 million, mainly due to a reclassification of current assets to non-current assets.

Save as disclosed in this announcement and the corresponding adjustments in totals, percentages, ratios and comparative figures related to the above material differences, all other information contained in the Unaudited Annual Results Announcement remains unchanged.

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 has set up property management business in respect of the management of Xingyu International Houseware Plaza* (興宇國際家居廣場) (formerly known as Easyhome Yancheng Shopping Mall* 居然之家鹽城店) (the "Property Management Business").

Financial Review

Revenue

During the Reporting Period, the Group recorded a substantial decrease by about 35.3% in total revenue from approximately RMB442.4 million for the year ended 31 December 2019 to approximately RMB286.3 million.

As regards the CRD Business segment, revenue of approximately RMB71.4 million was recorded for the Reporting Period, which decreased by about 50.8% when compared to that for the year ended 31 December 2019. The decrease in revenue was primarily due to the outbreak of COVID-19 in mainland China during the first half of the year. When the pandemic came under control and construction environment became better within mainland China during the second half year, the pandemic became out of control in the overseas. As the production capacity of the large-scale dredgers of the Group is mainly from the overseas countries, yet the equipment replacement, the supply of repair materials and the rotation and support of the key personnel of the operation and project teams are all from mainland China, the pandemic has caused serious impact on the operation of the Group, regardless of whether the outbreak occurred in the first half or the second half of the year and regardless of whether it occurred within or outside of mainland China. Hence, the progress of the construction projects seriously lagged behind their schedules or was even halted, resulting in the decrease in the revenue.

Revenue of approximately RMB49.1 million was recorded for the EPD and Water Management Business segment, representing a slight increase of about 2.4% from its corresponding segment revenue for the year ended 31 December 2019. The increase was caused by the desirable works progress of certain environmental protection dredging projects as COVID-19 was under control in the second half of the year in mainland China.

Revenue for the Other Marine Business was approximately RMB158.9 million, representing a decrease of 34.2% as compared with the corresponding period of 2019. The decrease in revenue was mainly due to the influence of the pandemic.

Revenue for the Property Management Business segment for the Reporting Period was approximately RMB6.9 million, which decreased by about 11.0% from RMB7.7 million for the year ended 31 December 2019.

Operating Cost and Gross Profit

The Group's operating cost decreased from approximately RMB391.0 million for the year ended 31 December 2019 to approximately RMB330.0 million during the Reporting Period, representing a decrease of about 15.6%. The decrease was primarily due to the drop of the business volume along with the decrease in overall revenue.

The Group recorded a gross loss of approximately RMB43.6 million for the Reporting Period as compared with a gross profit of approximately RMB51.4 million for the year ended 31 December 2019. Gross loss margin of 15.2% was recorded for the Reporting Period as compared with a gross profit margin of 11.6% for the year ended 31 December 2019. The significant drop in the revenue brought by the successive outbreak of COVID-19 in mainland China and overseas, while substantial costs such as depreciation of assets and maintenance of equipment did not decrease. Meanwhile, the outbreak of the pandemic escalated the transportation costs of supplies and personnel, resulting in reduced efficiency.

Net Other Gain

The Group recorded a net other gains of RMB25.6 million during the Reporting Period as compared with a net other losses of RMB5.6 million for year ended 31 December 2019, which was primarily caused by the recognition of the exchange gain of RMB22.2 million for the Reporting Period

Expected Credit Loss Allowance

As a further prudent measure in managing the trade receivables and the contract assets, the Company appointed an independent external professional valuer to make an independent valuation and based on its suggestion to recognise the allowance for expected credit losses on trade receivables, prepayment and the contract assets of about RMB150.0 million in total for the Reporting Period (2019: about RMB333.7 million).

Impairment loss on property, plant and equipment

During the Reporting Period, a non-cash impairment loss of RMB254.0 million was recognised on the property, plant and equipment and the right-of-use assets, mainly attributable to the continuing challenging market condition as an impairment indicator to the Group's businesses. No such impairment loss was recorded for the year ended 31 December 2019.

Marketing and Promotion Expenses

Marketing and promotion expenses for the Reporting Period was approximately RMB6.0 million, representing a decrease of about 21.3% as compared with approximately RMB7.7 million for the year ended 31 December 2019, which was mainly attributable to the decrease in marketing and promotion activities resulting from the outbreak of COVID-19.

Administrative Expenses

Administrative expenses for the Reporting Period amounted to approximately RMB75.6 million, representing an increase of about 15.0% from RMB65.7 million for the year ended 31 December 2019. This was mainly due to the change of allocation of depreciation charge of certain dredgers as administrative expenses instead of operating costs resulting from such dredgers lying idle during the year.

Finance Costs

Finance costs for the Reporting Period amounted to approximately RMB43.4 million, which decreased by about 3.7% when compared to that for the corresponding period last year.

Income Tax Expense

Income tax expense decreased from approximately RMB110.7 million for the year ended 31 December 2019 to approximately RMB12.0 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 RMB537.4 million, representing an increase of approximately 3.0% as compared to a net loss of approximately RMB522.0 million for the year ended 31 December 2019.

Loss Per Share

Loss per share for the Reporting Period was approximately RMB0.550 per share (2019: approximately RMB0.583).

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 the Bonds and certain bank borrowings and deposits denominated in United States dollars and Hong Kong dollars, the foreign exchange gain recognised for the Reporting Period was approximately RMB22.2 million (31 December 2019: exchange loss of approximately RMB5.8 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 2020, the total equity of the Group amounted to approximately RMB1,037.9 million (31 December 2019: approximately RMB1,563.2 million). The decrease in total equity was mainly attributable to the operating loss, the recognition of the expected credit loss allowance and the impairment of the assets for the Reporting Period.

The Group's net current liabilities as at 31 December 2020 amounted to approximately RMB557.4 million (31 December 2019: approximately RMB283.2 million). The current ratio, which is calculated by dividing current assets by current liabilities, was 0.52 as at 31 December 2020 (31 December 2019: 0.76).

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 RMB29.3 million in total as at 31 December 2020, representing an increase by about 132.4% as compared with that of approximately RMB12.6 million as at 31 December 2019.

The Group's trade receivables as at 31 December 2020 amounted to approximately RMB497.2 million (2019: approximately RMB777.6 million), representing a decrease by 36.1% when compared with that of the corresponding period of the preceding year.

As at 31 December 2020, total liabilities of the Group amounted to approximately RMB1,370.5 million (31 December 2019: approximately RMB1,284.0 million). The Group's gearing ratio (calculated by interest bearing instruments (including bank borrowings, other borrowings and bonds payable) divided by total equity) increased to 72.9% (2019: 43.2%).

Charge over Assets of the Group

As at 31 December 2020, 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 Holdings Group Limited* (江蘇興宇控股集團有限公司) 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.

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 2020, the Group had capital commitments of approximately RMB91.0 million (31 December 2019: approximately RMB66.2 million), which mainly included the construction costs of a hotel and a vessel.

As at 31 December 2020, the Group did not have any material contingent liabilities (31 December 2019: nil).

Business Review

The outbreak of COVID-19 worldwide and the various public health measures put in place in many countries to prevent the spread of COVID-19 have disrupted the overall business of the Group at different levels of time and regions in 2020. After the Chinese new year in February 2020, the Group's domestic businesses were affected by the lock-down of various cities implemented in mainland China, resulting in the forced suspension of all local operations until the gradual resumption of work beginning from late March to early April. Owing to the reorientation of the pandemic, when the operation of the China domestic projects resumed in the second half of the year, the overseas projects in the Southeast Asia were affected by the worsening epidemic in the local regions, and the operation of such projects had almost ceased since the mid-2020. Due to the shortage of material supply, the out-of-line replacement of personnel and the frequent requests for work suspension by the local governments from time to time, the construction schedules and the output of the Group's overseas projects were seriously affected in the second half of the year.

The CRD Business is the Group's core business. The Group proactively explored overseas markets in recent years and has actively undertaken several dredging projects in Bangladesh, Myanmar and Thailand in the Reporting Period. The decrease in revenue generated by such business segment was due to: (1) for the domestic construction projects, the outbreak of COVID-19 in mainland China in the beginning of 2020, which directly led to the complete halting of the operation of construction projects; and (2) for the overseas construction projects, although the construction sites are situated overseas, the replacement of equipment, supply of materials for maintenance and the rotation and support of the key business and operation personnel for the overseas projects were sent from mainland China. These overseas projects were affected both (i) by the pandemic within mainland China, causing multiple interruptions and long-term suspension of construction due to personnel and supplies movement restrictions, and (ii) by the pandemic overseas after the outbreak in mainland China came under control, which resulted in the restriction on the personnel from mainland China to come to the overseas construction sites and the restriction on supplies, as well as the various control and restrictions imposed by the governments of the countries and districts in which the projects are situated, which led to the long-term suspension of the business and a sharp drop in production capacity.

The Group develops and expands the EPD and Water Management Business segment proactively. The Group recorded a slight increase in revenue during the Reporting Period, which was attributable to the desirable works progress of certain environmental protection dredging projects as COVID-19 was under control in the second half of the year in mainland China.

Other Marine Business includes installing marine wind power equipment, hoisting major parts of docks and bridges, laying underwater pipelines and other works services. Due to the rapid development of the marine wind power constructions in mainland China, the Group will build a 2,300-tonned self-propelled fixed-crane vessel through financing solution with a total investment cost of RMB230 million, which is expected to be delivered by the end of June 2021, in order to grasp more such business opportunities.

The name of Easyhome Yancheng Shopping Mall was changed to Xingyu International Houseware Plaza in April 2020. The shopping mall is located at 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. Currently, Xingyu International Houseware Plaza has more than 40 tenants, including renowned home furnishing brands M&Z Furniture (掌上明珠), Landbond Minim (聯邦米尼), Arrow Dingzhi (箭牌定制), Huashifu (華師傅) and Telonang (泰隆祥). Although the revenue of dredging businesses was seriously affected by the COVID-19 pandemic, it did not have much impact on the service industry including the property rental of the plaza.

In addition to the operation and lease of shopping malls, the Group also commenced to construct a hotel located at the west of Caihong Road, Yancheng City, Jiangsu Province, the PRC, with a gross floor area of 20,000 square metres. Currently, the related construction works of the hotel has not been completed because of the funding issue of the Group.

PROSPECTS

Notwithstanding the adverse impacts on the Group due to the COVID-19 outbreak, the Group will continue to consistently and actively monitor market conditions, take appropriate actions to alleviate the negative impact of the pandemic on the Group's business and performance, strengthen project cost control, and continue to stabilise construction projects, operation team and management system.

Meanwhile, the Group continuously adopts a robust and prudent operating strategy to ensure an effective control of various possible operational risks as well as to speed up the collection of receivables.

For capital operation, based on the progress of its substantial construction projects including the operating progress of the overseas projects, the Group will actively identify and materialise healthy and feasible financial plans, such as strengthening the collection of the receivables and enhancing the capital structure of the Group, so as to satisfy, support and meet the Group's business development.

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 2020, the Group had 454 (2019: 519) employees. The total staff cost for the Reporting Period was about RMB51.2 million (2019: RMB45.8 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.

EVENT AFTER END OF REPORTING PERIOD

Share Consolidation and Change in Board Lot Size

On 14 January 2021, the Board proposed to implement the share consolidation on the basis that every two (2) issued and unissued shares of HK$0.10 each be consolidated into one (1) consolidated share of HK$0.20, which was conditional upon, among other things, the approval of the shareholders of the Company. The Board also proposed to change the board lot size for trading on the Stock Exchange from 1,000 shares of HK$0.10 each to 20,000 consolidated shares of HK$0.20 each conditional upon the share consolidation becoming effective. On 5 March 2021, the shareholders of the Company at an extraordinary general meeting approved the share consolidation. Accordingly, the share consolidation and the change of the board lot size took effect on 9 March 2021. As at 9 March 2021, the authorised share capital of the Company became HK$1,000,000,000 divided into 5,000,000,000 Shares of HK$0.20 each, of which 995,641,500 consolidated shares was in issue.

Issue of New Consolidated Shares

Pursuant to a subscription agreement dated 14 January 2021 entered into between the Company and Mr. Liu Kaijin, the substantial shareholder of the Company, the Company issued and allotted 508,240,000 new consolidated shares, representing approximately 33.80% of the issued share capital of the Company as at the date of this results announcement, at a price of HK$0.20 per consolidated share on 30 March 2021. The gross proceeds and net proceeds of the subscription were approximately HK$101.6 million and approximately HK$99.6 million respectively. The net proceeds of approximately HK$98.4 million from the subscription was used to fully redeem the Bonds and the remaining balance of approximately HK$1.2 million was used as general working capital of the Company.

For details of the share consolidation, the change in board lot size and the issue of the new consolidated shares, please refer to the announcements of the Company dated 14 January 2021, 3 February 2021, 5 March 2021 and 30 March 2021.

Redemption of the Bonds

On 3 December 2020, the Company and the Bondholder entered into the seventh amendment agreement to further amend the original convertible bonds instrument and the original bond conditions. Under the seventh amendment agreement, it has been agreed that, among other matters, subject to the fulfillment of the conditions precedent, (a) the principal amount of the Bonds shall be amended to be HK$319,482,769.63; (b) the redemption amount of the Bonds shall be amended to be HK$352,446,870.29 and (c) the maturity date of the Bonds shall be amended to be 31 March 2021. It has also been agreed that the Company shall be deemed to have paid the redemption amount of the Bonds in full if the Company pays or procures the payment to the Bondholder or its affiliate a sum of RMB equivalent of HK$98,359,241 on or before the maturity date of the Bonds. On 30 March 2021, the Company repaid HK$98,359,241 to the Bondholder to redeem the Bond. The Company has been treated as the full and final settlement of the Bonds. For details, please refer to the announcements of the Company dated 3 December 2020 and 30 March 2021.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: 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 2020.

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 2020.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the auditor, Moore Stephens CPA Limited to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 16 April 2021. 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 the Results Announcement or this announcement.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2020:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements, which highlight that the Group experienced a gross loss and loss of RMB44 million and RMB537 million respectively for the year ended 31 December 2020 and had net current liabilities of approximately RMB557 million as at that date. As at 31 December 2020, the bank borrowings and other borrowings classified as current liabilities amounted to RMB293 million and RMB79 million respectively are scheduled with repayment terms to be settled within one year.

The group's ability to generate funds to satisfy its financial obligations in the next twelve months is reliant on the group's ability to renew the bank borrowings of approximately RMB293 million and other borrowings of approximately RMB79 million under current liabilities as at 31 December 2020 when they come up for repayment, or to obtain alternative financing.

These conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of these matters.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PUBLICATION OF ANNUAL REPORT

It is expected that the annual report of the Company for the year ended 31 December 2020 containing all the information required by Appendix 16 to the Listing Rules will be published on or before 7 May 2021.

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

Hong Kong, 16 April 2021

As at the date of this announcement, the Board comprises Mr. Liu Kaijin as 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*