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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “Board”) of directors (the “Director(s)”) of China Dredging Environment Protection Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 (the “Reporting Period”), together with the unaudited comparative figures for the six months ended 30 June 2020 as follows, which are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and are presented in Renminbi (“RMB”):

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

| | Notes | Six months ended 30 June | |
|----------------------------------|-------|--------------------------------|--|
| | | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) (restated) |
| Revenue | 4 | 146,807 | 119,935 |
| Operating costs | | <u>(131,174)</u> | <u>(134,506)</u> |
| Gross profit/(loss) | | 15,633 | (14,571) |
| Other income | | 1,830 | 106 |
| Other gains and losses, net | 6 | 207,831 | (2,838) |
| Marketing and promotion expenses | | (2,500) | (2,556) |
| Administrative expenses | | (24,136) | (27,466) |
| Finance costs | | (17,444) | (25,862) |
| Share of results of associate | | <u>(1)</u> | <u>—</u> |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (Continued)**

For the six months ended 30 June 2021

| | | Six months ended 30 June | |
|---|--------------|---------------------------------|---------------------------|
| | | 2021 | 2020 |
| | | RMB'000 | RMB'000 |
| | <i>Notes</i> | (Unaudited) | (Unaudited) (restated) |
| Profit/(loss) before tax | | 181,213 | (73,187) |
| Income tax expense | 7 | <u>(4,868)</u> | <u>(490)</u> |
| Profit/(loss) and total comprehensive income/(expense) for the period | 8 | <u>176,345</u> | <u>(73,677)</u> |
| Profit/(loss) and total comprehensive income/(expense) for the period attributable to: | | | |
| Owners of the Company | | 168,076 | (74,083) |
| Non-controlling interests | | <u>8,269</u> | <u>406</u> |
| | | <u>176,345</u> | <u>(73,677)</u> |
| Earnings/(loss) per share | 9 | | |
| — basic (RMB cents) | | <u>13.41</u> | <u>(8.00)</u> |
| — diluted (RMB cents) | | <u>13.41</u> | <u>(8.00)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | | At 30 June 2021 <i>RMB'000</i> (Unaudited) | At 31 December 2020 <i>RMB'000</i> (Audited) |
|---|----|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | 1,008,882 | 1,039,088 |
| Right-of-use assets | | 84,592 | 86,276 |
| Investment properties | | 483,900 | 483,900 |
| Goodwill | | 201 | 201 |
| Interest in an associate | | 3,023 | 150 |
| Deposit paid for acquisition of property, plant and equipment | | 11,753 | 18,752 |
| Other intangible assets | | 3,250 | 3,417 |
| Trade and other receivables and prepayments | 11 | 251,250 | 145,471 |
| Contract assets | | <u>27,210</u> | <u>19,064</u> |
| | | <u>1,874,061</u> | <u>1,796,319</u> |
| Current assets | | | |
| Trade and other receivables and prepayments | 11 | 548,697 | 576,754 |
| Contract assets | | 5,983 | 5,983 |
| Bank balances and cash | | <u>23,744</u> | <u>29,309</u> |
| | | <u>578,424</u> | <u>612,046</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 337,313 | 359,371 |
| Amounts due to directors of the Company | | 35,676 | 44,855 |
| Amounts due to non-controlling shareholders of a subsidiary | | 2,162 | 2,257 |
| Tax payable | | 62,467 | 60,218 |
| Bank borrowings | 13 | 291,800 | 293,400 |
| Other borrowings | | 102,072 | 78,943 |
| Bonds payable | 14 | — | 287,482 |
| Contract liabilities | | 64,043 | 42,364 |
| Lease liabilities | | <u>651</u> | <u>605</u> |
| | | <u>896,184</u> | <u>1,169,495</u> |
| Net current liabilities | | <u>(317,760)</u> | <u>(557,449)</u> |
| Total assets less current liabilities | | <u>1,556,301</u> | <u>1,238,870</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 30 June 2021*

| | | At 30 June 2021 <i>RMB'000</i> (Unaudited) | At 31 December 2020 <i>RMB'000</i> (Audited) |
|---|-----------|---|--|
| Capital and reserves | | | |
| Share capital | <i>15</i> | 255,247 | 167,914 |
| Reserves | | <u>908,289</u> | <u>740,213</u> |
| Equity attributable to owners of the Company | | 1,163,536 | 908,127 |
| Non-controlling interests | | <u>130,211</u> | <u>129,731</u> |
| Total equity | | <u>1,293,747</u> | <u>1,037,858</u> |
| Non-current liabilities | | | |
| Amounts due to non-controlling shareholders of a subsidiary | | 60,287 | 61,387 |
| Deferred tax liabilities | | 26,485 | 27,260 |
| Other borrowings | | 174,211 | 110,510 |
| Lease liabilities | | <u>1,571</u> | <u>1,855</u> |
| | | <u>262,554</u> | <u>201,012</u> |
| | | <u>1,556,301</u> | <u>1,238,870</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. GOING CONCERN BASIS OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Group had net current liabilities of RMB317,760,000 as at 30 June 2021, which included bank borrowings and other borrowings amounting to RMB291,800,000 and RMB102,072,000 respectively that will be due for repayment within one year.

In preparing the condensed consolidated financial statements, the directors of the Company (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. Nevertheless, the condensed 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 30 June 2021, 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 30 June 2021 of RMB244,050,000 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 30 June 2021, the Group has unutilised banking facilities of RMB6,000,000 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 condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values, as appropriate.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|--|--|
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2 |

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE

Disaggregation of revenue from contracts with customers

| | Six months ended | |
|---|-----------------------|----------------|
| | 30 June | |
| | 2021 | 2020 |
| | RMB’000 | RMB’000 |
| Segments | | |
| Capital and Reclamation Dredging Business | 37,896 | 29,035 |
| Environmental Protection Dredging and Water Management Business | 19,457 | 3,304 |
| Other Marine Business | 85,542 | 83,447 |
| Property Management Business | <u>3,912</u> | <u>4,149</u> |
| | <u>146,807</u> | <u>119,935</u> |
| Timing of revenue recognition | | |
| At point in time | — | — |
| Over time | <u>146,807</u> | <u>119,935</u> |
| Total | <u>146,807</u> | <u>119,935</u> |

Geographical information

The Group’s operations are located in the PRC. All provisions of services are carried out in the PRC.

5. SEGMENT INFORMATION

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 of the Group (“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. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

- (i) Capital and Reclamation Dredging Business refers to the capital and reclamation dredging services and related consultation services provided by the Group;
- (ii) Environmental Protection Dredging and Water Management Business refers to dredging or water management services or constructions for promoting environmental interests and water quality mainly for inland rivers provided by the Group;
- (iii) 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 of 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 (Unaudited) | Environmental protection dredging and water management business RMB’000 (Unaudited) | Other marine business RMB’000 (Unaudited) | Property management business RMB’000 (Unaudited) | Total RMB’000 (Unaudited) |
|---|--|--|--|---|--|
| Six months ended 30 June 2021 | | | | | |
| Segment revenue | <u>37,896</u> | <u>19,457</u> | <u>85,542</u> | <u>3,912</u> | <u>146,807</u> |
| Segment results | <u>(5,770)</u> | <u>148</u> | <u>7,706</u> | <u>1,136</u> | <u>3,220</u> |
| Share of results of associate | | | | | (1) |
| Unallocated other income | | | | | 1,830 |
| Unallocated other gains and losses, net | | | | | 207,831 |
| Unallocated corporate expenses | | | | | (17,390) |
| Unallocated finance costs | | | | | <u>(14,277)</u> |
| Profit before tax | | | | | <u><u>181,213</u></u> |

5. SEGMENT INFORMATION (Continued)

Segment results (Continued)

| | Capital and reclamation dredging business <i>RMB'000</i> (Unaudited) | Environmental protection dredging and water management business <i>RMB'000</i> (Unaudited) | Other marine business <i>RMB'000</i> (Unaudited) | Property management business <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
|--|---|---|---|---|--|
| Six months ended 30 June 2020 | | | | | |
| Segment revenue | <u>29,035</u> | <u>3,304</u> | <u>83,447</u> | <u>4,149</u> | <u>119,935</u> |
| Segment results | <u>(33,425)</u> | <u>778</u> | <u>1,735</u> | <u>1,605</u> | <u>(29,307)</u> |
| Unallocated other income | | | | | 46 |
| Unallocated other gains and losses, net | | | | | (2,838) |
| Unallocated corporate expenses | | | | | (19,224) |
| Unallocated finance costs | | | | | <u>(21,864)</u> |
| Loss before tax | | | | | <u><u>(73,187)</u></u> |

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 to the condensed consolidated financial statements.

Segment results represent profit earned by each segment, without allocation of central administrative expenses, other gains and losses, certain other income and certain finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Segment assets

| | Capital and reclamation dredging business <i>RMB'000</i> (Unaudited) | Environmental protection dredging and water management business <i>RMB'000</i> (Unaudited) | Other marine business <i>RMB'000</i> (Unaudited) | Property management business <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
|--------------------------------------|---|---|---|---|--|
| Six months ended 30 June 2021 | | | | | |
| Segment assets | <u><u>781,579</u></u> | <u><u>215,959</u></u> | <u><u>720,277</u></u> | <u><u>651,020</u></u> | <u><u>2,368,835</u></u> |
| At 31 December 2020 | | | | | |
| Segment assets | <u><u>809,198</u></u> | <u><u>237,818</u></u> | <u><u>622,441</u></u> | <u><u>651,271</u></u> | <u><u>2,320,728</u></u> |

6. OTHER GAINS AND LOSSES, NET

| | Six months ended | |
|---|------------------|----------------|
| | 30 June | |
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Gain on disposal of property, plant and equipment | 902 | 3,330 |
| Gain on waived bond payable (<i>note</i>) | 210,306 | — |
| Exchange loss, net | <u>(3,377)</u> | <u>(6,168)</u> |
| | <u>207,831</u> | <u>(2,838)</u> |

Note: As at 31 December 2021, the Bonds as defined in Note 14 was amounted to HK\$342,649,000 (equivalent to RMB287,482,000). On 30 March 2021, the Company repaid HK\$98,359,000 (equivalent to RMB81,411,000) to the Bondholder in pursuant with term c) set out in the Seventh Amendment Agreement as defined in Note 14 and the Company was deemed to have repaid the Bonds in full. A gain amounting to HK\$254,088,000 (equivalent to RMB210,306,000 (see Note 14)) was resulted from the settlement.

7. INCOME TAX EXPENSE

| | Six months ended | |
|-----------------------------------|------------------|--------------|
| | 30 June | |
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| The charge comprises: | | |
| Current tax | | |
| PRC Enterprise Income Tax (“EIT”) | 5,643 | 1,285 |
| Deferred taxation | <u>(775)</u> | <u>(795)</u> |
| | <u>4,868</u> | <u>490</u> |

(i) PRC EIT

PRC EIT is calculated at the statutory rate of 25% of the assessable profits for both periods.

(ii) Hong Kong Profits Tax

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

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

8. PROFIT/(LOSS) FOR THE PERIOD

Six months ended
30 June
2021 2020
RMB'000 **RMB'000**
(Unaudited) **(Unaudited)**

Profit/(loss) for the period has been arrived at after charging (crediting):

| | | | |
|--|---------|---------|--|
| Depreciation of property, plant and equipment | 52,241 | 52,154 | |
| Depreciation of right-of-use assets | 1,719 | 2,023 | |
| Amortisation of other intangible assets | 167 | 167 | |
| Sub-contracting charges included in operating costs | 36,456 | 36,562 | |
| Gross rental income from investment properties | (3,912) | (4,149) | |
| Less: Direct operating expenses incurred for investment properties that generated rental income during the year | 157 | 169 | |
| Direct operating expenses incurred for investment properties that did not generate rental income during the year | 53 | 39 | |
| | (3,702) | (3,941) | |

9. EARNINGS/(LOSS) PER SHARE

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

Six months ended
30 June
2021 2020
RMB'000 **RMB'000**
(Unaudited) **(Unaudited)**
(restated)

Earnings/(Loss)

| | | | |
|--|----------------|-----------------|--|
| Earnings/(Loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share | <u>168,076</u> | <u>(74,083)</u> | |
| | '000 | '000 | |

Number of shares

| | | | |
|---|------------------|----------------|--|
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | <u>1,253,457</u> | <u>930,475</u> | |
|---|------------------|----------------|--|

9. EARNINGS/(LOSS) PER SHARE (Continued)

The weighted average number of shares for the purposes of basic earnings per share for both periods were calculated based on the weighted average number of shares in issue during both periods and has been adjusted for share consolidation that took place on 9 March 2021.

10. DIVIDENDS

No dividends were paid, declared or proposed during both periods. The directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2020: nil).

11. TRADE AND OTHER RECEIVABLES

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|---|---|---|
| Non-current: | | |
| Value-added tax recoverable | 2,773 | 2,582 |
| Prepayment for construction of the vessel and the equipment | 233,859 | 129,071 |
| Prepayment | <u>14,618</u> | <u>13,818</u> |
| | <u>251,250</u> | <u>145,471</u> |
| Current: | | |
| Trade receivables | 1,605,197 | 1,633,251 |
| Less: Allowance for expected credit losses ("ECL") | <u>(1,136,100)</u> | <u>(1,136,100)</u> |
| Trade receivable, net of ECL | 469,097 | 497,151 |
| Bills receivable | 24,173 | 21,516 |
| Government financial incentive receivables | 6,017 | 6,017 |
| Deposits and prepayments | 44,836 | 47,207 |
| Others | <u>4,574</u> | <u>4,863</u> |
| | <u>548,697</u> | <u>576,754</u> |
| | <u><u>799,947</u></u> | <u><u>722,225</u></u> |

11. TRADE AND OTHER RECEIVABLES (Continued)

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

Aged analysis of the Group's trade receivables

| | At 30 June 2021 <i>RMB'000</i> (Unaudited) | At 31 December 2020 <i>RMB'000</i> (Audited) |
|----------------|--|--|
| 0–30 days | 31,579 | 68,224 |
| 31–60 days | 14,353 | 9,690 |
| 61–90 days | 10,177 | 3,094 |
| 91–180 days | 53,789 | 9,413 |
| 181–365 days | 28,273 | 42,336 |
| 1 year–2 years | 64,960 | 74,573 |
| Over 2 years | <u>265,966</u> | <u>289,821</u> |
| | <u><u>469,097</u></u> | <u><u>497,151</u></u> |

The aged analysis of the Group's bills receivable, presented based on the relevant dates of certification of work, at the end of each reporting period is as follows:

Aged analysis of the Group's bills receivable

| | At 30 June 2021 <i>RMB'000</i> (Unaudited) | At 31 December 2020 <i>RMB'000</i> (Audited) |
|---------------|--|--|
| 0–30 days | 10,578 | — |
| 31–60 days | 1,500 | 38 |
| 61–90 days | 1,000 | 3,500 |
| 91–180 days | 7,471 | 11,000 |
| Over 180 days | <u>3,624</u> | <u>6,978</u> |
| | <u><u>24,173</u></u> | <u><u>21,516</u></u> |

12. TRADE AND OTHER PAYABLES

| | At 30 June 2021 <i>RMB'000</i> (Unaudited) | At 31 December 2020 <i>RMB'000</i> (Audited) |
|--|--|--|
| Trade payables | | |
| Sub-contracting charge | 94,200 | 101,315 |
| Fuel cost | 4,190 | 2,030 |
| Repair and maintenance | 17,189 | 14,888 |
| Others | <u>24,963</u> | <u>18,922</u> |
| | <u>140,542</u> | <u>137,155</u> |
| Other payables | | |
| Payable for construction cost of investment properties | 73,895 | 73,945 |
| Accrued for other taxes | 52,451 | 53,362 |
| Accrued for staff salaries and welfare | 17,737 | 35,018 |
| Others | <u>52,688</u> | <u>59,891</u> |
| | <u>196,771</u> | <u>222,216</u> |
| | <u><u>337,313</u></u> | <u><u>359,371</u></u> |

The aged analysis of the Group's trade payables presented based on the invoice dates, 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:

| | At 30 June 2021 <i>RMB'000</i> (Unaudited) | At 31 December 2020 <i>RMB'000</i> (Audited) |
|---------------|--|--|
| 0–30 days | 16,514 | 15,798 |
| 31–60 days | 3,081 | 19,563 |
| 61–90 days | 8,938 | 983 |
| 91–180 days | 7,135 | 3,014 |
| Over 180 days | <u>104,874</u> | <u>97,797</u> |
| | <u>140,542</u> | <u>137,155</u> |

13. BANK BORROWINGS

During the current interim period, the Group raised bank loans of RMB99,550,000 (31 December 2020: RMB288,400,000) and repaid bank loans of RMB101,150,000 (31 December 2020: RMB292,000,000). As at 30 June 2021, the effective interest rates of the bank borrowings ranged from 5.22% to 8.05% (31 December 2020: 5.44% to 8.05%) per annum.

14. BONDS PAYABLE

The Company issued unsecured convertible bonds (the “Bonds”) to CITIC Capital China Access Fund Limited (the “Bondholder” or “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 antidilutive 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 and the Company did not repay 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).

14. BONDS PAYABLE (Continued)

During the year ended 31 December 2020, the Group has settled approximately HK\$3,560,000 (equivalent to RMB3,000,000) 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 RMB295,591,000) 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 RMB325,000 is recognised in profit or loss for the year ended 31 December 2020.

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 RMB205,005,000 as at 31 December 2020.

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 rates are as follows:

| Period | Interest rate per annum |
|---|------------------------------------|
| 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 revised principal amounts.

14. BONDS PAYABLE (Continued)

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

| | Total RMB'000 |
|--------------------------------------|--------------------------|
| At 1 January 2020 (audited) | 286,804 |
| Gain on modification of bond payable | (325) |
| Interest | 22,857 |
| Settlement | (3,000) |
| Exchange realignment | <u>(18,854)</u> |
| At 31 December 2020 (audited) | 287,482 |
| Interest | 8,109 |
| Settlement | (81,411) |
| Gain on waived bond payable | (210,306) |
| Exchange realignment | <u>(3,874)</u> |
| At 30 June 2021 (unaudited) | <u><u>—</u></u> |

15. SHARE CAPITAL

| | Number of shares | | | RMB equivalent amount |
|---|-------------------------------------|-------------------------------------|----------------------------|--------------------------------------|
| | at HK\$0.2 each '000 | at HK\$0.1 each '000 | Amount HK\$'000 | RMB'000 |
| Authorised | | | | |
| At 1 January 2020, 30 June 2020 and 31 December 2020 | — | 10,000,000 | 1,000,000 | N/A |
| Share Consolidation (<i>note (i)</i>) | <u>5,000,000</u> | <u>(10,000,000)</u> | <u>—</u> | <u>N/A</u> |
| At 30 June 2021 | <u><u>5,000,000</u></u> | <u><u>—</u></u> | <u><u>—</u></u> | <u><u>N/A</u></u> |
| Issued and fully paid | | | | |
| At 1 January 2020 and 30 June 2020 | N/A | 1,782,366 | 178,236 | 150,365 |
| Placing of shares | <u>N/A</u> | <u>191,917</u> | <u>19,192</u> | <u>17,549</u> |
| At 31 December 2020 and 1 January 2021 | N/A | 1,974,283 | 197,428 | 167,914 |
| Exercise of share options (<i>note (ii)</i>) | N/A | 17,000 | 1,700 | 1,420 |
| Share Consolidation (<i>note (i)</i>) | 995,642 | (1,991,283) | — | — |
| Placing of shares (<i>note (iii)</i>) | <u>508,240</u> | <u>—</u> | <u>101,648</u> | <u>85,913</u> |
| At 30 June 2021 | <u><u>1,503,882</u></u> | <u><u>—</u></u> | <u><u>300,776</u></u> | <u><u>255,247</u></u> |

15. SHARE CAPITAL (Continued)

Note:

- (i) On 9 March 2021, the Company has completed the consolidation of shares on the basis that every 2 shares of HK\$0.1 each be consolidated into 1 consolidated share of HK\$0.2 each (the “Share Consolidation”). 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. 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.
- (ii) On 11 January 2021, the subscription rights attaching to 17,000,000 share options were exercised at the subscription price of HK\$0.1 per share, resulting in the issue of 17,000,000 shares for a total cash consideration, before expenses, of approximately HK\$1,700,000 (equivalent to approximately RMB1,420,000).
- (iii) On 30 March 2021, the share placings of 508,240,000 shares of the Company with Mr. Liu at the subscription price of HK\$0.2 were completed (the “Subscription”). The net proceeds from the Subscription was approximately HK\$99,600,000 (equivalent to RMB85,913,000). The net proceeds of approximately HK\$98,400,000 from the Subscription was used to fully redeem the Bonds (see Note 14) and the remaining balance of approximately HK\$1,200,000 was used as general working capital of the Company. Before the Share Consolidation and Subscription, Mr. Liu was 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 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.

16. RELATED PARTY DISCLOSURES

(i) Related party transactions

The Group received other advances from, and made repayments to Mr. Liu during the six months ended 30 June 2021 and 2020. As at 30 June 2021, the amount due to Mr. Liu was RMB31,572,000 (31 December 2020: RMB40,900,000).

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

As at 30 June 2021 and 31 December 2020, 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 Xingyu Holdings Group Limited which is a subsidiary of the Company;
- (b) personal guarantees provided by Mr. Liu and Ms. Zhou; and
- (c) two properties owned by certain non-controlling shareholders of the Company’s subsidiary.

In addition, as at 30 June 2021, the Group’s bank borrowings to the extent of RMB47 million (31 December 2020: RMB81 million) was secured by a property owned by a company in which Mr. Liu has beneficial interest.

16. RELATED PARTY DISCLOSURES (Continued)

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

As at 30 June 2021, other than pledge a vessel of the Group, the Group's construction of vessel and equipment was also supported by personal guarantees provided by Mr. Liu and Ms. Zhou.

(iv) Compensation of key management personnel

Details of the emoluments paid or payable to the directors and the chief executive of the Group during the current and previous interim period are as follows:

| | Six months ended | |
|---------------------|------------------|----------------|
| | 30 June | |
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Short-term benefits | <u>370</u> | <u>950</u> |

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 (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) and factories (the “Property Management Business”).

During the Reporting Period, the Group recorded a profit of approximately RMB176.3 million, as compared to a loss of approximately RMB73.7 million for the first half of the year 2020. The profit attributable to the shareholders of the Company was approximately RMB168.1 million.

BUSINESS REVIEW

The CRD Business is the Group’s core business. During the Reporting Period, due to the effective control of the COVID-19 pandemic in mainland China, which resulted in a remarkable rebounding of the economy, the operation of the domestic construction projects could be carried out smoothly. As for the overseas construction projects, the Group continuously explored several dredging projects in Indonesia Bangladesh, Myanmar, Cambodia and Thailand. As the production capacity of the large-scale dredgers of the Group is mainly from the overseas countries, the raging spread of the pandemic in these countries in which the projects are situated has caused frequent suspensions and has led to a serious impact on the construction progress and the production output of the Group’s overseas projects in the first half of the year. Therefore, even though the production capacity of domestic projects resumed to normal in the first half of the year, the total production capacity of this business segment was far much lower than the level before the pandemic.

The EPD and Water Management Business segment is a business that the Group proactively expands and develops. The Group recorded an increase in revenue during the Reporting Period, which was due to the smooth progressing of certain environmental protection dredging projects.

Other Marine Business refers to services including installation of wind-powered generation equipment, bulk material hoisting and installation in dock and bridge construction and other engineering services. Due to the rapid development of the marine wind-powered structures in mainland China, the Group will launch a newly built 2300-tonned self-propelled fixed crane vessel, which had been delivered to the Group at the end of June, for the marine wind-powered market in the second half of this year, in order to grasp more such business opportunities.

Xingyu International Houseware Plaza (formerly known as Easyhome Yancheng Shopping Mall) with a gross floor area of 75,600 square meters for commercial leasing under the Property Management business, is a shopping centre which mainly provides customers with furniture, household products and furnishing and decoration materials. Currently, Xingyu International Houseware Plaza has more than 60 tenants, including 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). Its occupancy rate remains at 60% so the leasing performance is still not so satisfactory. As the number of residents in the district will not increase in the next few years, this makes it difficult to form an ideal business environment. This impacts on the sales performance of some of our tenants, resulting in a downward trend of rental adjustment in the market.

In addition to the operation and lease of the houseware plaza, the Group also commenced to construct a hotel with a gross floor area of 20,000 square metres located at the west of Caihong Road, Yancheng City, Jiangsu Province. The related construction work of the hotel has not yet completed because of the funding issue of the Group.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately RMB146.8 million, representing an increase of 22.4% as compared with approximately RMB119.9 million in the corresponding period of 2020.

Regarding the CRD Business segment, the revenue generated during the Reporting Period was approximately RMB37.9 million which represented an increase of 30.5% from the corresponding segment's revenue in the corresponding period of 2020. The increase in revenue for the CRD Business segment was primarily due to the effective control of the COVID-19 pandemic which resulted in the desirable works progress of certain construction projects in mainland China.

Regarding the EPD and Water Management Business segment, the revenue generated during the Reporting Period was approximately RMB19.5 million which represented an increase of 488.9% as compared with the corresponding segment's revenue in the same period of 2020. The increase in revenue for the Reporting Period was due to the smooth progressing of related construction projects as results of the effective control of the pandemic in mainland China in the first half of this year.

Other Marine Business contributed a revenue of approximately RMB85.5 million to the Group for the Reporting Period, which represented an increase of 2.5% as compared with the corresponding segment's revenue in the same period of 2020.

The revenue of the Property Management Business for the Reporting Period was approximately RMB3.9 million, which represented a decrease of 5.7% as compared with approximately RMB4.1 million in the corresponding period of 2020.

Operating costs and gross profit

The Group's operating costs slightly decreased by 2.5% from approximately RMB134.5 million for the six months ended 30 June 2020 to approximately RMB131.2 million for the Reporting Period.

The Group recorded a gross profit of approximately RMB15.6 million for the Reporting Period as compared with a gross loss of RMB14.6 million for the six months ended 30 June 2020.

The segment gross loss margin of the CRD Business improved from 115.1% for the six months ended 30 June 2020 to 15.2% for the Reporting Period. The segment gross profit margin of the EPD and Water Management Business decreased to 0.8% for the Reporting Period from 23.5% for the corresponding period last year, which was mainly caused by the comparatively higher upfront cost needed for the commencement of new projects in this year. The segment gross profit margin of the Other Marine Business increased from 2.1% for the six months ended 30 June 2020 to 9.0% for the Reporting Period, which was mainly due to the effective control of the pandemic in mainland China which led to the incurrent of a stable capital expenditure.

The segment gross profit margin of the Property Business decreased from 38.7% for the same period of last year to 29.0% for the Reporting Period.

As a result, the overall gross loss margin of the Group turned from 12.1% for the six months ended 30 June 2020 to the overall gross profit margin of 10.6% for the Reporting Period.

Other income

Other income increased from approximately RMB0.1 million for the six months ended 30 June 2020 to approximately RMB1.8 million for the Reporting Period, which was mainly due to the increase of sundry income for the Reporting Period.

Net other gain

The Group recorded a net other gain of approximately RMB207.8 million during the Reporting Period as compared with a net other loss of approximately RMB2.8 million for the six months ended 30 June 2020, which was primarily caused by the recognition of a one-off gain on the waived bond payable of approximately RMB210.3 million after the fully redemption of the Bonds on 30 March 2021.

Marketing and promotion expenses

Marketing and promotion expenses for the Reporting Period was approximately RMB2.5 million, which is nearly the same as that for the corresponding period last year.

Administrative expenses

Administrative expenses of the Group for the Reporting Period amounted to approximately RMB24.1 million, representing a decrease of 12.1% from approximately RMB27.5 million for the six months ended 30 June 2020, which was mainly caused by the tightened cost control.

Finance costs

Finance costs was approximately RMB17.4 million for the Reporting Period, representing a decrease of 32.6% as compared with that of the corresponding period last year.

Income tax expense

Income tax expense increased from approximately RMB0.5 million for the corresponding period in 2020 to approximately RMB4.9 million for the Reporting Period.

Profit for the period

As a combined effect of the above, the profit for the Reporting Period was approximately RMB176.3 million as compared with a loss of approximately RMB73.7 million for the same period in 2020.

Earnings per share

Earnings per share for the Reporting Period was about RMB0.13 as compared with a loss per share of RMB0.08 for the same period of last year.

Financial position

As at 30 June 2021, total equity of the Group amounted to approximately RMB1,293.7 million (31 December 2020: approximately RMB1,037.9 million).

The Group's net current liabilities as at 30 June 2021 amounted to approximately RMB317.8 million (31 December 2020: approximately RMB557.4 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 30 June 2021 was 0.65 (31 December 2020: 0.52).

Liquidity and financial resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and improve the usage efficiency of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in Renminbi and Hong Kong dollars. Included in net current assets were cash and various bank deposits totaling approximately RMB23.7 million as at 30 June 2021 (31 December 2020: RMB29.3 million).

The Group's trade receivables as at 30 June 2021 decreased by 5.7% from approximately RMB497.2 million as at 31 December 2020 to approximately RMB469.1 million.

As at 30 June 2021, total liabilities of the Group were approximately RMB1,158.7 million, representing a decrease of about 15.5% as compared with that for the corresponding period last year. The Group's gearing ratio (calculated by interest bearing instruments (including bank borrowings, other borrowings and bonds payable) divided by total equity) was 43.9% (31 December 2020: 74.2%). The decrease in gearing ratio was primarily due to the full redemption of the Bonds during the Reporting Period.

Capital structure of the Group

The capital structure of the Group consists of debts, which include amounts due to non-controlling interests of a subsidiary, bank borrowings, other borrowings 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 buy-backs as well as the issue of new debts or the redemption of existing debts.

Share consolidation

On 9 March 2021, every two issued and unissued Shares of HK\$0.10 each were consolidated into one consolidated Share of HK\$0.20. 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 were in issue.

As at 30 June 2021, the total number of Shares in issue was 1,503,881,500.

Issue of consolidated shares and use of proceeds

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 consolidated shares, representing approximately 33.80% of the issued share capital of the Company as at the date of this 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 Company fully utilised the amount of the net proceeds in accordance with such intended purposes as previously disclosed by the Company. 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.

Risk management policies

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

As most of the Group's trading transactions, monetary assets and liabilities were denominated mainly in Renminbi, which was the Group's functional and reporting currencies, and save for the Bonds and certain bank borrowings and balances denominated in United States dollars and Hong Kong dollars, the foreign exchange loss recognised for the Reporting Period was approximately RMB3.4 million (30 June 2020: approximately RMB6.2 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 instrument. However, the Group continues to monitor its related interest rate exposure closely.

Charge over assets of the Group

As at 30 June 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 which Mr. Liu has beneficial interest, and personal guarantees by Mr. Liu Kaijin and Ms. Zhou Shuhua. There were also intra-group charges between two of the Company's wholly-owned subsidiaries as a result of the contractual arrangements, pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu Holdings Group Limited* (江蘇興宇控股集團有限公司) have been transferred to Jiangsu Xiangyu Port Construction Project Administration Company Limited* (江蘇翔宇港建工程管理有限公司).

Material acquisitions and disposals

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

Capital commitments and contingent liabilities

As at 30 June 2021, the Group had capital commitments of approximately RMB65.6 million (31 December 2020: approximately RMB91.0 million) which mainly included the construction cost of the hotel.

As at 30 June 2021, the Group did not have any material contingent liability (31 December 2020: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had a workforce of 479 employees (31 December 2020: 454). Total staff cost for the Reporting Period was approximately RMB16.5 million (30 June 2020: approximately RMB16.6 million). The Group's remuneration policy is basically determined by the Directors, based on the performance of individual employees and the market conditions. In addition to salaries and discretionary bonuses, employee benefits included pension contributions and options which may be granted under the share option scheme.

PROSPECTS

Although the COVID-19 pandemic continued, with vaccination programs rolling out in many parts of the world, the global market showed signs of stabilisation, and the economy gradually recovered. Nevertheless, the pandemic is still volatile, especially in the Southeast Asian countries. Thus, it is difficult to predict whether the Group's construction projects in Southeast Asia can resume to their normal production capacities in the second half of the year. As for the projects in mainland China, it is expected that the performance of these projects will generally remain stable with a favourable momentum thanks to the outstanding control of the pandemic and economic recovery in mainland China. In view of the uncertainties lying in the persistent epidemic effect, the Group will continue to with its in-depth review of the current situation in relation to its costs and resources deployment, so as to tighten its control over the operating costs effectively.

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, thus enhancing the capital structure of the Group, so as to satisfy, support and meet the Group's business development.

INTERIM DIVIDEND

The Directors have determined that no dividend will be paid in respect of the Reporting Period (six months ended 30 June 2020: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to high standards of corporate governance. The Directors believe that the Company has complied with all the applicable code provisions of the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules for the Reporting Period and there was no material deviation from the CG Code.

AUDIT COMMITTEE AND REVIEW OF UNAUDITED FINANCIAL STATEMENTS

Members of the audit committee of the Company (the "Audit Committee") as at 30 June 2021 comprised Mr. Chan Ming Sun Jonathan (chairman), Mr. Huan Xuedong and Mr. Liang Zequan, all of whom are independent non-executive Directors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group, financial reporting matters including a review of the unaudited consolidated results for the Reporting Period prior to recommending them to the Board for approval.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (*www.cdep.com.hk*) and the Stock Exchange (*www.hkexnews.hk*). An interim report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 30 August 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; and 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*