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China Dredging Environment Protection Holdings Limited

(formerly known as Xiangyu Dredging Holdings Limited)

中國疏浚環保控股有限公司

(前稱「翔宇疏浚控股有限公司」)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 871)

PROFIT WARNING AND INSIDE INFORMATION

This announcement is made by the Company pursuant to the Inside Information Provisions under Part XIVA of the SFO and Rule 13.09 of the Listing Rules.

The Board wishes to inform the Shareholders and potential investors that, based on the preliminary assessment of the Group's unaudited management accounts for the six months ended 30 June 2014 and the information currently available to the Board, the Group expects to record a decline in net profit for the six months ended 30 June 2014 as compared to that for the six months ended 30 June 2013, coupled with a drop in revenue for the six months ended 30 June 2014 as compared to that for the six months ended 30 June 2013.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by China Dredging Environment Protection Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the “**Listing Rules**”) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “**SFO**”) and Rule 13.09(2) of the Listing Rules.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment of the Group's unaudited management accounts for the six months ended 30 June 2014 and the information currently available to the Board, the Group expects to report (a) a drop

in its revenue of approximately 10% as compared to the same period of the year 2013 to approximately RMB450 million and (b) a decline in its net profit for the reporting period of approximately RMB51 million as compared to the same period of the year 2013 to approximately RMB64 million.

To the best of the Directors' knowledge, the decrease in revenue was mainly due to the slow-down of construction progress of certain dredging projects, including the reclamation project at Longkou City, Shandong Province. Due to the variation of the initial plan by the project owner, the construction work of the said project has been suspended and not yet been resumed, and the suspension time was longer than the original estimate. The Group is in the course of reviewing the corresponding construction timetable with the customers in relation to these projects. Apart from the above, the decline in net profit was also attributable to the following factors which include: (i) the non-cash fair value loss of (a) an unsecured convertible bonds issued in November 2013 and (b) a series of warrants issued in January 2014, with an aggregate loss of approximately RMB25 million; and (ii) the increase of depreciation value of the Group's fixed asset of approximately RMB9 million.

The Group is still in the process of finalising its results for the six months ended 30 June 2014. The information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the unaudited management accounts of the Group for the six months ended 30 June 2014 and the information currently available to the Board, and the same has not been reviewed by or discussed with the auditors of the Company nor the Company's audit committee. Actual financial results of the Group for the six months ended 30 June 2014 may be different from what is disclosed in this announcement. Further details of the Group's financial results for the six months ended 30 June 2014 will be disclosed in the 2014 interim report and interim results announcement of the Company.

Shareholders and potential investors are advised to exercise caution when dealing in shares of the Company.

By order of the Board
China Dredging Environment Protection Holdings Limited
Liu Kaijin
Joint Chairman, Executive Director and Chief Executive Officer

Hong Kong, 1 August 2014

As at the date of this announcement, the Board comprises Mr. Liu Kaijin as Joint Chairman, Executive Director and Chief Executive Officer; Ms. Zhou Shuhua as an Executive Director; Mr. Liu Longhua as a Non-executive Director and Joint Chairman; and Mr. Huan Xue Dong, Mr. Chan Ming Sun Jonathan and Mr. Xu Hengju as Independent Non-executive Directors.