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 2018

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 2018 (the "Reporting Period"), together with the unaudited comparative figures for the six months ended 30 June 2017 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 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**352,128**	335,761
Operating costs		**(260,495)**	(190,679)
Gross profit		**91,633**	145,082
Other income		**6,047**	11,270
Other gains and losses		**(2,838)**	7,676
Marketing and promotion expenses		**(2,399)**	(4,283)
Administrative expenses		**(29,330)**	(34,134)
Finance costs		**(25,374)**	(41,520)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit before tax		**37,739**	84,091
Income tax expense	*6*	**(15,925)**	(29,030)
Profit and total comprehensive income for the period	*7*	**21,814**	55,061
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**20,025**	52,215
Non-controlling interests		**1,789**	2,846
		21,814	55,061
Earnings per share	*8*		
— basic (RMB cents)		**1.4**	3.5
— diluted (RMB cents)		**1.4**	3.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,556,019**	1,575,766
Prepaid land lease payments		**93,794**	95,190
Investment properties		**413,194**	413,194
Goodwill		**201**	201
Other intangible asset		**4,250**	4,417
Deposit paid for acquisition of property, plant and equipment		**11,031**	12,366
Deferred tax assets		**103,323**	103,323
Trade and other receivables due after one year	*10*	**87,823**	70,595
		2,269,635	2,275,052
CURRENT ASSETS			
Prepaid land lease payments		**2,908**	2,908
Trade and other receivables	*10*	**1,348,694**	1,240,324
Bank balances and cash		**36,103**	69,505
		1,387,705	1,312,737
CURRENT LIABILITIES			
Trade and other payables	*11*	**416,569**	368,783
Amounts due to directors of the Company		**12,386**	9,602
Amounts due to non-controlling interests of a subsidiary		**1,764**	1,838
Tax payable		**100,966**	88,480
Bank borrowings	*12*	**363,192**	371,192
Other borrowings		**47,769**	64,527
Bonds payable	*13*	**247,630**	230,378
		1,190,276	1,134,800
NET CURRENT ASSETS		**197,429**	177,937
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,467,064**	2,452,989

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At 30 June 2018

	Notes	**At 30 June 2018** **_RMB'000_** **(Unaudited)**	At 31 December 2017 *RMB'000* (Audited)
CAPITAL AND RESERVES			
Share capital		**123,483**	123,483
Reserves		**2,076,948**	2,056,923
Equity attributable to owners of the Company		**2,200,431**	2,180,406
Non-controlling interests		**152,840**	156,844
TOTAL EQUITY		**2,353,271**	2,337,250
NON-CURRENT LIABILITIES			
Amounts due to non-controlling interests of a subsidiary		**67,082**	68,252
Deferred tax liabilities		**11,842**	12,651
Other borrowings		**34,869**	34,836
		113,793	115,739
		2,467,064	2,452,989

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares ("Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 (the "Listing Rules").

The condensed consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

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

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

2. GOING CONCERN BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (the "current interim period"), the Company had not settled the convertible bonds (the "Bonds", see Note 13) when the Bonds fell due for repayment on their extended maturity date. The Bonds remained overdue for repayment as at 30 June 2018. On 21 March 2017, 5 June 2017, 21 September 2017 and 23 January 2018, the Company and CITIC Capital China Access Fund Limited (the "Bondholder" or "CITIC") had entered into the amendment agreements (as described in Note 13), pursuant to which the maturity date of the Bonds was entered such that based on the latest amendment agreement in effect, the Company needed to repay the principal amount of the Bonds of approximately HK$278,777,000 (equivalent to approximately RMB235,126,000) together with the interest due by 21 June 2018 with interest rate at an amended rate of 13% per annum. The Company failed to repay the abovementioned amounts in full on 21 June 2018, at which date the total amount outstanding, including the accrued interest amounted to approximately HK$293,671,000 (equivalent to approximately RMB247,630,000 in aggregate). At the date of the announcement, the Company and CITIC are still under negotiation on the terms of an amendment agreement to further extend the maturity date of the Bonds.

2. GOING CONCERN BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the condensed consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern and 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 2018, after taking into consideration of the following:

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

(2) Most of the bank borrowings as at 30 June 2018 were secured by the Group's assets and it was considered highly probable that they can be renewed in the next twelve months; and

(3) As at 30 June 2018, the Group has unutilised banking facilities of RMB116,460,000 which will be available for use by the Group in the next twelve months.

On the basis of the above considerations, the Directors of the Company 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 at the end of each reporting period.

Other than changes in accounting policies resulting from application of new HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

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

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

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

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

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. There is no change in classification and measurement of the Group's financial assets.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.1.2.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1.2 Summary of effects arising from initial application of HKFRS 9

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Impairment loss allowances for other financial assets at amortised cost, which mainly comprise of bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional impairment loss allowance for trade receivables has been recognised against retained profits.

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

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

The Group recognises revenue from the following major sources:

- Provision of capital and reclamation dredging services and related consultation services
- Provision of dredging or water management services or constructions for promoting environmental interests and water quality
- Provision of marine hoisting, installation, salvaging, vessel chartering and other engineering services
- Provision of management and leasing of a shopping mall and the construction of a hotel

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

3.2.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. **PRINCIPAL ACCOUNTING POLICIES (Continued)**

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3.2.2 Summary of effects arising from initial application of HKFRS 15

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

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	RMB'000	***RMB'000***	***RMB'000***
Current liabilities			
Trade and other payables			
— Receipts in advance	17,014	(17,014)	—
— Contract liabilities	—	17,014	17,014

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

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

4. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the period. An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Provision of capital and reclamation dredging services	**89,997**	178,067
Provision of environmental protection dredging and water management services	**56,243**	74,850
Provision of marine hoisting, installation and salvaging, vessel chartering and other engineering services	**201,965**	79,598
Property management service income	**3,923**	3,246
	352,128	335,761

Geographical information

The Group's operations are located in the People's Republic of China (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 who are also the Chief Operating Decision Makers (the"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 the construction of a hotel by the Group.

5. **SEGMENT INFORMATION (Continued)**

Segment results

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

	Capital and reclamation dredging business *RMB'000* **(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 2018					
Segment revenue	**89,997**	**56,243**	**201,965**	**3,923**	**352,128**
Segment results	**26,208**	**17,213**	**36,018**	**2,843**	**82,282**
Unallocated other income					**700**
Other gains and losses					**(2,838)**
Unallocated corporate expenses					**(27,874)**
Unallocated finance costs					**(14,531)**
Profit before tax					**37,739**

	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 2017					
Segment revenue	178,067	74,850	79,598	3,246	335,761
Segment results	85,106	17,201	11,002	1,631	114,940
Unallocated other income					10,460
Other gains and losses					7,676
Unallocated corporate expenses					(10,619)
Unallocated finance costs					(38,366)
Profit before tax					84,091

5. **SEGMENT INFORMATION (Continued)**

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

Segment results represents profit earned by each segment, without allocation of central administrative expenses, other gains and losses, 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 *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 2018					
Segment assets	**1,743,034**	**679,637**	**552,496**	**623,661**	**3,598,828**
Unallocated assets:					
Prepaid land lease payments					**14,707**
Bank balances and cash					**36,103**
Others					**7,702**
Consolidated assets					**3,657,340**

	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)
At 31 December 2017					
Segment assets	1,707,966	646,594	546,064	588,349	3,488,973
Unallocated assets:					
Prepaid land lease payments					14,866
Bank balances and cash					69,505
Others					14,445
Consolidated assets					3,587,789

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

5. **SEGMENT INFORMATION (Continued)**

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. **INCOME TAX EXPENSE**

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax		
PRC Enterprise Income Tax ("EIT")	**16,734**	29,030
Deferred taxation	**(809)**	—
	15,925	29,030

(i) **PRC EIT**

PRC EIT is calculated at 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.

7. **PROFIT FOR THE PERIOD**

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**50,590**	46,541
Amortisation of prepaid land lease payments	**1,396**	1,396
Amortisation of other intangible asset	**167**	125
Exchange loss (gain)	**2,838**	(7,676)
Sub-contracting charges included in operating costs	**131,687**	134,203

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**20,025**	52,215
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,478,064**	1,478,064

The weighted average number of shares for the purposes of basic and diluted earnings per share for both periods were calculated based on the weighted average number of shares in issue during both periods.

9. 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 2017: nil).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current:		
Trade receivables	**86,010**	68,798
Value-added tax recoverable	**1,813**	1,797
	87,823	70,595
Current:		
Trade receivables, net of impairment loss allowance	**1,246,052**	1,153,637
Bills receivable	**5,620**	4,150
Government financial incentive receivables	**14,027**	11,888
Deposits and prepayments	**70,943**	60,598
Others	**12,052**	10,051
	1,348,694	1,240,324
	1,436,517	1,310,919

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on reputation of the customers within the industry.

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 impairment loss allowance on trade receivables), at the end of each reporting period is as follows:

Aged analysis of the Group's trade receivables

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–30 days	**104,020**	93,370
31–60 days	**87,135**	31,066
61–90 days	**40,190**	60,942
91–180 days	**98,431**	135,715
181–365 days	**197,835**	261,162
1 year–2 years	**360,271**	205,478
Over 2 years	**444,180**	434,702
	1,332,062	1,222,435

10. TRADE AND OTHER RECEIVABLES (Continued)

Included in the trade receivables is retention money of approximately RMB208,116,000 (31 December 2017: RMB199,000,000) as at 30 June 2018.

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 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–30 days	**200**	—
31–60 days	**3,320**	1,000
61–90 days	**1,000**	700
91–180 days	**1,100**	2,450
	5,620	4,150

11. TRADE AND OTHER PAYABLES

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
Sub-contracting charge	**168,894**	122,881
Fuel cost	**24,990**	18,923
Repair and maintenance	**20,717**	23,667
Others	**3,559**	3,593
	218,160	169,064
Other payables		
Payable for property, plant and equipment	**10,314**	11,654
Payable for construction cost of investment properties	**83,775**	82,448
Accrued other taxes	**47,186**	40,227
Accrued staff salaries and welfare	**12,640**	25,848
Contract liabilities	**21,657**	—
Receipts in advance	**—**	17,014
Interest payable on the Bonds	**764**	849
Others	**22,073**	21,679
	198,409	199,719
	416,569	368,783

11. TRADE AND OTHER PAYABLES (Continued)

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 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–30 days	**58,784**	51,147
31–60 days	**16,766**	6,810
61–90 days	**31,594**	19,414
91–180 days	**24,771**	13,111
Over 180 days	**86,245**	78,582
	218,160	169,064

12. BANK BORROWINGS

During the current interim period, the Group raised bank loans of RMB319,000,000 (31 December 2017: RMB485,215,000) and repaid bank loans of RMB327,000,000 (31 December 2017: RMB599,238,000). As at 30 June 2018, the effective interest rates of the bank borrowings ranged from 4.57% to 9.98% (31 December 2017: 3.81% to 7.40%) per annum.

13. 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 had the option to either convert them into the Company's ordinary shares at a conversion price of HK$2.7 per share, subject to anti-dilutive adjustments, at any time after six months from the date of issue and up to the Original Maturity Date, or to require the Company to redeem them at 133.792% of the nominal value of the Bonds, which amounted to approximately HK$325,115,000 (equivalent to approximately RMB290,818,000) (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$, which is a currency other than the Company's functional currency. Therefore, the conversion option in the Bonds would not result in an exchange of a fixed number of the Company's own equity instrument for a fixed amount of cash, in the functional currency of the Company HK$. 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%.

13. BONDS PAYABLE (Continued)

The Group had not paid the Original Redemption Amount and the last interest payment on the Original Maturity Date to CITIC. Overdue interest of approximately HK$945,000 (equivalent to approximately RMB840,000) was incurred. During the year ended 31 December 2016, the Company and CITIC entered into a framework agreement on 14 November 2016 (as amended by supplemental framework agreements, collectively the "Framework Agreement") and a standstill and amended agreement and supplemental deed to the original deed poll regarding the Bonds (the "Amendment Agreement") on 15 December 2016, pursuant to which CITIC agreed to a) extend the maturity from the Original Maturity Date to 14 March 2017 and b) reduce the principal amount of Original Redemption Amount to approximately HK$275,415,000 (equivalent to approximately RMB246,381,000), 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 2017 and at the end of subsequent accounting periods.

During the current interim period, the Company had not settled the Bonds when the Bonds fell due for repayment on their extended maturity date. The Bonds remained overdue for repayment as at 30 June 2018. On 21 March 2017, 5 June 2017, 21 September 2017 and 23 January 2018, the Company and CITIC had entered into the second amendment agreement, the third amendment agreement, the fourth amendment agreement and the fifth amendment agreement, pursuant to which the maturity date of the Bonds was entered such that based on the latest amendment agreement in effect, the Company needed to repay the principal amount of the Bonds of approximately HK$278,777,000 (equivalent to approximately RMB235,126,000) together with the interest due by 21 June 2018 with interest rate at an amended rate of 13% per annum. The Company failed to repay the abovementioned amounts in full on 21 June 2018, at which date the total amount outstanding, including the accrued interest amounted to approximately HK$293,671,000 (equivalent to approximately RMB247,630,000 in aggregate). At the date of this announcement, the Company and CITIC are still under negotiation on the terms of another amendment agreement to further extend the maturity date of the Bonds.

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 and 23 January 2018.

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

Period	**Interest rate per annum**
From 15 November 2016 and up to 14 December 2016	13%
From 15 December 2016 and up to 14 March 2017	15%
From 15 March 2017 and up to 4 June 2017	18%
From 5 June 2017 and up to 21 June 2017	13%
From 22 June 2017 and up to 21 September 2017	18%
From 22 September 2017 and up to 15 November 2017	13%
From 16 November 2017 and up to 22 January 2018	13%
From 23 January 2018 and up to 21 June 2018	13%

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

13. BONDS PAYABLE (Continued)

Under the abovementioned agreements entered into the Company and CITIC, the Bonds are secured by the personal guarantees of Mr. Liu and his spouse Ms. Zhou who are the Directors of the Company, and pledges in favour of CITIC and/or its affiliates in respect of a dredger, and an industrial premises and a residential property owned by the Group included in property, plant and equipment with carrying value of approximately RMB302,257,000.

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

	Total
	RMB'000
At 1 January 2017 (audited)	250,715
Interest	39,312
Settlement	(42,483)
Exchange realignment	(16,317)
At 31 December 2017 (audited)	231,227
Interest	14,531
Exchange realignment	2,636
At 30 June 2018 (unaudited)	**248,394**

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

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest payable within one year included in other payable	**764**	849
Bonds payable within one year	**247,630**	230,378
	248,394	231,227

14. RELATED PARTY DISCLOSURES

(i) Related party transactions

During the current interim period, the Group has no rental paid (six months ended 30 June 2017: RMB48,000) to certain companies controlled by Mr. Liu, an executive Director, the chairman and the ultimate controlling shareholder of the Group, in respect of office premises.

In addition, the Group received other advances from, and made repayments to, Mr. Liu during the six months ended 30 June 2018 and 2017. As at 30 June 2018, the amount due to Mr. Liu was RMB9,756,000 (31 December 2017: RMB6,798,000).

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

As at 30 June 2018 and 31 December 2017, other than pledge of assets of the Group, the Group's bank borrowings and bonds payable were also supported by:

(a) corporate guarantee given by 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 Group's subsidiary.

In addition, as at 30 June 2018 the Group's bank borrowings to the extent of RMB85 million (31 December 2017: RMB88 million) was secured by a property owned by a Company, which is owned by Mr. Liu.

(iii) 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**1,050**	1,050
Post-employment benefits	**—**	—
	1,050	1,050

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 ("CRD Business"); (ii) environmental protection dredging ("EPD") and water management business ("EPD and Water Management Business"); and (iii) other works operated in marine sites such as hoisting works ("Other Marine Business"). In addition, the Group also commenced property management business (the "Property Management Business") in respect of the management of 居然之家鹽城店 (Easyhome Yancheng Shopping Mall*).

During the Reporting Period, net profit was approximately RMB21.8 million, representing a decrease of approximately 60.4% from approximately RMB55.1 million the first half of 2017. The Company recorded profits attributable to its shareholders of approximately RMB20.0 million for the Reporting Period.

BUSINESS REVIEW

During the Reporting Period, the Group recorded a revenue of approximately RMB352.1 million, representing an increase of 4.9% from approximately RMB335.8 million the same period last year. Gross profits was approximately RMB91.6 million, representing a 36.8% decrease from RMB145.1 million the same period last year.

During the Reporting Period, the decreased revenue generated by CRD Business segment was attributable to greater variations in the volatility of new project construction conditions and the uncertainty in capital returns in the industry. We adopt a prudent operating strategy on accepting new construction projects to ensure an effective control of various possible risks. We consider that the risk control takes priority over the implementation of the projects.

The EPD and Water Management Business segment is a business that the Group proactively expands and develops. The Group recorded a decrease in revenue during the Reporting Period, which was attributable to the slow progress in implementing certain environmental protection dredging projects. However, the gross profit margin generated from this business segment increased, showing a growth of 7.6 percentage points to 30.6% over the first half of 2017.

Other Marine Business refers to services including installation of wind power generation equipment, bulk material hoisting and installation in dock and bridge construction, underwater pipeline installation and other engineering services. The wind energy, as a clean renewable energy, has developed rapidly. Domestically, there is a strong surge of enthusiasm in marine wind power constructions. The Group will continuously increase the investment in the related equipment for the wind power constructions in order to grasp more such business opportunities.

Easyhome Yancheng Shopping Mall, located in the core area of Yancheng National High-tech Industrial Development Zone of the government administration centre of Yandu District, Yancheng City, Jiangsu Province, the PRC with a gross floor area of 75,600 square meters and used for commercial leasing under the Property Management business, is a large scale shopping centre themed on home building materials which mainly provides customers with "one-stop" services for items such as furniture, household products and furnishing and decoration materials. Currently, Easyhome Yancheng Shopping Mall has approximately 100 tenants, including renowned home furnishing brands Steel-Land (詩帝羅蘭), Cheers (芝華仕), M&Z Furniture (掌上明珠), Landbond Minim (聯邦米尼) and Telonang (泰隆祥). The Group hopes that, through the "Easyhome" brand and its business model, we will gain popularity and raise brand influence, as well as obtain long-term and stable rental income in order to provide steady cash flow support for the Group's further expansion of our environmental protection business.

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

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately RMB352.1 million, representing an increase of 4.9% as compared with approximately RMB335.8 million in the corresponding period of 2017.

Regarding the CRD Business segment and EPD and Water Management Business segment, the respective revenues generated during the Reporting Period were approximately RMB90.0 million and approximately RMB56.2 million which represented a decrease of 49.5% and 24.9% respectively from the corresponding segments' revenue in the corresponding period of 2017. The decrease in revenue from the CRD Business segment was primarily due to the drop in numbers of newly contracted construction projects as the Group implemented a more prudent and careful operating strategy in selecting new projects. The decrease in revenue from EPD and Water Management Business segment for the Reporting Period was due to the slow progress of new EPD projects.

Other Marine Business contributed a revenue of approximately RMB202 million to the Group for the Reporting Period, which represented an increase of 153.7% as compared with approximately RMB79.6 million in the corresponding period of 2017. The increase in revenue primarily resulted from the entry by the Group into wind power field.

The revenue of the Property Management Business for the Reporting Period was approximately RMB3.9 million, which represented an increase of 21.9% as compared with approximately RMB3.2 million in the corresponding period of 2017. Notwithstanding an income growth for such business, it could not bring profit to the Group for the time being as it was still at the development stage.

Operating costs and gross profit

The Group's operating costs significantly increased by 36.6% from approximately RMB190.7 million for the six months ended 30 June 2017 to approximately RMB260.5 million for the Reporting Period.

The Group recorded a gross profit of approximately RMB91.6 million for the Reporting Period, representing a decrease of 36.8% as compared with the six months ended 30 June 2017 of RMB145.1 million. The decrease in gross profit was mainly due to the insufficient utilisation of production capacity and the high idle rate of fleet and equipment resulting from the adoption of a more prudent operating strategy by the Group and also the decrease in the proportion of the CRD business and the EPD business, which have a higher gross profit margin, during the Reporting Period.

The segment gross profit margin of CRD Business decreased from 47.8% for the six months ended 30 June 2017 to 29.1% for the Reporting Period, which was primarily due to a drop in revenue for the CRD Business brought about by adopting a prudent operating strategy, while substantial costs such as depreciation of assets and maintenance of vessels did not change proportionately.

The segment gross profit margin of EPD and Water Management Business for the Reporting Period was 30.6% which was higher than 23.0% for the corresponding period last year.

The segment gross profit margin of Other Marine Business increased from 13.8% for the six months ended 30 June 2017 to 17.8% for the Reporting Period, which arose from new wind power generation projects during the Reporting Period.

As a result, the overall gross profit margin of the Group decreased from 43.2% for the six months ended 30 June 2017 to 26.0% for the Reporting Period.

Other income

Other income decreased from approximately RMB11.3 million for the six months ended 30 June 2017 to approximately RMB6.0 million for the Reporting Period, mainly due to the decrease in interest income in respect of certain non-current trade receivables and government financial incentive during the Reporting Period.

Marketing and promotion expenses

Marketing and promotion expenses for the Reporting Period was approximately RMB2.4 million representing a decrease of 44.0% as compared with approximately RMB4.3 million for the six months ended 30 June 2017, which was mainly due to the gain in fame of Easyhome Yancheng Shopping Mall resulting in the decrease in promotion expenses.

Administrative expenses

Administrative expenses of the Group for the Reporting Period amounted to approximately RMB29.3 million, representing a decrease of 14.1% from approximately RMB34.1 million for the six months ended 30 June 2017. This was mainly due to the saving in management expenses and the decrease in the professional fees.

Finance costs

Finance costs decreased by 38.9% to approximately RMB25.4 million for the Reporting Period as compared to the six months ended 30 June 2017, which resulted in the decrease in the total loan amount and the adjustment of the interest rates of certain loans.

Income tax expense

Income tax expense decreased from approximately RMB29.0 million for the corresponding period in 2017 to approximately RMB15.9 million for the Reporting Period.

Profit for the period

As a combined effect of the above, the net profit for the period decreased by 60.4% from approximately RMB55.1 million for the six months ended 30 June 2017 to approximately RMB21.8 million for the Reporting Period.

Earnings per share

Basic earnings per share for the Reporting Period was RMB0.014 per share, representing a decrease of about 61.3% as compared to earnings per share of RMB0.035 for the six months ended 30 June 2017.

Financial position

As at 30 June 2018, total equity of the Group amounted to approximately RMB2,353.3 million (31 December 2017: approximately RMB2,337.3 million).

The Group's net current assets as at 30 June 2018 amounted to approximately RMB197.4 million (31 December 2017: approximately RMB177.9 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 30 June 2018 was 1.17 (31 December 2017: 1.16).

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 RMB36.1 million as at 30 June 2018 (31 December 2017: RMB69.5 million).

The Group's trade receivables as at 30 June 2018 increased by 9.0% from approximately RMB1,222.4 million as at 31 December 2017 to approximately RMB1,332.1 million. Overdue trade receivables as at 30 June 2018 increased by about 7.7% to approximately RMB1,080 million as compared with the same period last year.

Total liabilities of the Group increased from approximately RMB1,250.5 million as at 31 December 2017 to approximately RMB1,304.1 million as at 30 June 2018, which was mainly due to the increase in trade and other payables. The Group's gearing ratio (calculated by interest bearing instruments (including bank borrowings, other borrowings and bonds payable) divided by total equity) was 30.23% (31 December 2017: 30%).

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, the bonds payable and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

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

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. During the Reporting Period, most of the transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate risk is minimal. The Group recorded a net exchange loss amounting to RMB2.8 million during the Reporting Period.

Charge over assets of the Group

As at 30 June 2018, 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 and Ms. Zhou. There were also intra-group charges between two of the Company's wholly-owned subsidiaries as a result of the contractual arrangements, pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu have been transferred to Xiangyu PRC.

The Group pledged over a dredger, an industrial premises located in Jiangsu Province, the PRC and a residential property located in Shandong Province, the PRC in favour of CITIC and/or its affiliate. Please refer to the Company's announcements dated 15 December 2016, and 5 June 2017 for details.

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 RMB2.8 million (30 June 2017: gain of approximately RMB7.7 million). The Group is giving full attention to respond to the related foreign exchange rate risks.

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

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 2018, the Group had capital commitments of approximately RMB68.3 million (31 December 2017: approximately RMB72.8 million) which mainly included the construction cost of approximately RMB61.1 million for a hotel.

As at 30 June 2018, the Group did not have any material contingent liability (31 December 2017: nil).

PROSPECTS

Looking towards the future, the Group will carry on with its efforts to enhance the effectiveness of its dredging business and expects to bring reasonable returns through obtaining more works contracts by virtue of our rich construction experience on dredging projects. In addition, with the support under the "One Belt One Road" strategy, the Group is expanding its business to overseas markets including Southeast Asian markets. Currently, the Group is negotiating on several overseas projects with project owners, and hope that such projects may come to the stage of document conclusion applicable of being signed by relevant parties in the coming second half year.

In terms of capital operation, up to now, the Company has not yet redeemed the outstanding Bonds according to the fifth amendment agreement dated 23 January 2018 entered into with CITIC in respect of the redemption of the Bonds. The Company will continue to seek opportunities to raise additional funds to redeem the relevant Bonds. When there is any material development made, the Company will timely inform its shareholders and potential investors. Besides, the Group will actively identify and implement reliable and feasible fundraising plans depending on the progress of its construction projects, so as to further optimise the financial position and enhance the capital base of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had a workforce of 633 employees (31 December 2017: 629). Total staff cost for the Reporting Period was about RMB16.4 million (30 June 2017: approximately RMB21.1 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 (under which options to subscribe for shares of the Company that could be granted to independent non-executive Directors would be subject to the applicable conditions and independence restrictions as set out in the Listing Rules). The Group also provides on-going training to its employees.

During the Reporting Period, the Group did not experience any strikes, work stoppages or significant labour disputes which affected its operations or any significant difficulties in recruiting and retaining qualified staff.

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 2018 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, 29 August 2018

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

* *for identification purpose only*