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June 8, 2011

The Directors
Xiangyu Dredging Holdings Limited
Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information relating to Xiangyu Dredging Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), for each of the three years ended December 31, 2010 (the "**Track Record Period**") (the "**Financial Information**") for inclusion in the prospectus of the Company dated June 8, 2011 (the "**Prospectus**") in connection with the proposed listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on May 31, 2010. The name of the Company was changed from Power Wealth International Holdings Ltd. to Power Wealth International Holdings Limited on June 21, 2010 following a resolution passed by the Company's shareholders on June 18, 2010. Its name was further changed from Power Wealth International Holdings Limited to Xiangyu Port Construction Limited on November 3, 2010 following a resolution passed by the Company's shareholders on October 28, 2010. Pursuant to a resolution passed on January 28, 2011, the name of the Company was changed to Xiangyu Dredging Holdings Limited on February 8, 2011. Pursuant to a group reorganization, as more fully explained in the paragraph headed "Corporate Development" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus (the "**Reorganization**"), the Company became the holding company of the companies now comprising the Group on April 19, 2011 which are principally engaged in the provision of dredging services in The People's Republic of China ("**PRC**").

As at the date of this report, the Company, either through legal ownership or implementation of the contractual arrangements which are explained in the section headed "Contractual Arrangements" in the Prospectus, has equity interests in the following subsidiaries:

Name of subsidiary	Country and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company	Principal activities	Form of company
Directly owned					
Power Wealth Group (BVI) Limited ("**Power Wealth BVI**")	British Virgin Islands ("**BVI**") May 17, 2010	US$20,000	100%	Investment holding	Limited liability

Name of subsidiary	Country and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company	Principal activities	Form of company
Indirectly owned					
Power Wealth Engineering Limited 力富工程有限公司 ("**Power Wealth HK**")	Hong Kong July 3, 2002	HK$100,000	100%	Investment holding and provision of dredging consultation services	Limited liability
Jiangsu Xiangyu Port Constructing Project Administration Co., Ltd* 江蘇翔宇港建工程管理有限公司 ("**Xiangyu PRC**")	PRC June 11, 2010	US$15,000,000	100%	Provision of dredging services in PRC	Foreign wholly owned enterprise
Jiangsu Xingyu Port Construction Company Limited* 江蘇興宇港建有限公司 ("**PRC Operational Entity**")	PRC July 13, 2007	RMB39,315,800	100%	Provision of dredging services in PRC	A limited company

All companies now comprising the Group have adopted December 31 as their financial year end date.

No audited financial statements have been prepared for the Company as it was only incorporated on May 31, 2010 and has not carried on any business, other than those transactions relating to the Reorganization.

Power Wealth BVI has not prepared any audited financial statements as there is no statutory audit requirement in its place of incorporation.

The statutory financial statements of Power Wealth HK for each of the two years ended December 31, 2009 prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") were audited by Poon & Tong C.P.A. Limited, certified public accountants registered in Hong Kong. The statutory financial statements of Power Wealth HK for the year ended December 31, 2010 were audited by us.

The statutory financial statements of Xiangyu PRC for the period from the date of its establishment to December 31, 2010 which were prepared in accordance with PRC accounting rule and regulations, were audited by Yancheng Zhongzheng Certified Public Accountants Co., Ltd.* (鹽城眾正會計師事務所), certified public accountants registered in the PRC. For the purpose of this report, Xiangyu PRC has also prepared financial statements in accordance with HKFRSs for the period from the date of establishment to December 31, 2010 ("**Xiangyu PRC Financial Statements**"). We have performed an independent audit of the Xiangyu PRC Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

* *English translated name is for identification only.*

The statutory financial statements of the PRC Operational Entity for each of the three years ended December 31, 2010 were prepared in accordance with PRC accounting rules and regulations ("**PRC GAAP**") and were audited by Yancheng Zhongzheng Certified Public Accountants Co., Ltd.* (鹽城眾正會計師事務所), certified public accountants registered in the PRC. For the purpose of this report, the PRC Operational Entity has also prepared financial statements in accordance with HKFRSs for each of the three years ended December 31, 2010 (the "**PRC Operational Entity Financial Statements**"). We have performed an independent audit of the PRC Operational Entity Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

For the purpose of this report, we have examined the PRC Operational Entity Financial Statements, Xiangyu PRC Financial Statements and other audited financial statements or management accounts, as applicable, of the companies now comprising the Group for the Track Record Period (collectively the "**Underlying Financial Statements**") in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of Section A below, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the relevant companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at December 31, 2008, 2009 and 2010 and of the Company as at December 31, 2010 and of the combined results and combined cash flows of the Group for the Track Record Period.

A. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

		Year ended December 31,		
		2008	2009	2010
	Notes	RMB'000	RMB'000	RMB'000
Revenue	5	133,349	346,549	374,883
Operating cost		(71,987)	(222,937)	(204,823)
Gross profit		61,362	123,612	170,060
Other income	6	4,292	4,803	26
Marketing and promotion expenses		(820)	(1,779)	(2,979)
Administrative expenses		(2,093)	(3,348)	(6,267)
Listing expenses		—	—	(21,531)
Finance costs	7	(816)	(1,317)	(3,640)
Profit before tax		61,925	121,971	135,669
Income tax expense	8	(16,261)	(33,130)	(40,639)
Profit and total comprehensive income for the year		45,664	88,841	95,030
Earnings per share	11			
Basic (RMB)		0.57	0.80	0.38

Combined Statements of Financial Position

	Notes	As at December 31, 2008 RMB'000	2009 RMB'000	2010 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	43,272	40,407	376,300
Deposit paid for acquisition of property, plant and equipment		18,700	28,494	273
Rental deposits	14(a)	1,000	3,000	—
		62,972	71,901	376,573
CURRENT ASSETS				
Trade and other receivables	14(b)	65,707	230,249	280,440
Amount due from a director	15	29,216	82,121	—
Bank balances and cash	16	973	1,764	12,520
		95,896	314,134	292,960
CURRENT LIABILITIES				
Trade and other payables	17	44,535	130,009	127,678
Amount due to a director	15	11,382	11,395	26,464
Tax payable		16,664	49,503	39,185
Secured bank borrowings	18	7,500	27,500	40,000
		80,081	218,407	233,327
NET CURRENT ASSETS		15,815	95,727	59,633
NET ASSETS		78,787	167,628	436,206
CAPITAL AND RESERVES				
Paid-in-capital/share capital	19	39,406	39,406	39,451
Reserves		39,381	128,222	396,755
TOTAL EQUITY		78,787	167,628	436,206

Combined Statements of Changes In Equity

	Attributable to owners of the Company					
	Paid-in capital/ share capital	Share premium	PRC statutory reserve	Other reserve	(Accumulated loss) Retained profits	Total
	RMB'000	RMB'000	RMB'000 (note i)	RMB'000 (note ii)	RMB'000	RMB'000
At January 1, 2008	12,090	—	93	—	(6,376)	5,807
Profit for the year and total comprehensive income for the year	—	—	—	—	45,664	45,664
Transfer	—		4,569	—	(4,569)	—
Capital injection to the PRC Operational Entity by Mr. Liu	27,316	—	—	—	—	27,316
At December 31, 2008	39,406		4,662	—	34,719	78,787
Profit for the year and total comprehensive income for the year	—		—	—	88,841	88,841
Transfer	—	—	8,887	—	(8,887)	—
At December 31, 2009	39,406	—	13,549	—	114,673	167,628
Profit for the year and total comprehensive income for the year	—	—	—	—	95,030	95,030
Effect of Share Exchange *(note 19)*	(22)	—	—	22	—	—
Issue of shares by Power Wealth BVI.	67	173,481	—	—	—	173,548
At December 31, 2010	39,451	173,481	13,549	22	209,703	436,206

notes:

(i) According to the relevant requirements in the memorandum of association of the PRC Operational Entity, a portion of its profits after taxation is to be transferred to the PRC statutory reserve. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The reserve can be applied either to set off accumulated losses or to increase capital.

(ii) The other reserve of the Group represents the difference between (i) the nominal value of the 9,999 new shares of US$1.00 each issued by Power Wealth BVI to Mr. Liu in exchange of the shareholding in Power Wealth HK and (ii) the nominal value of share capital of Power Wealth HK.

Combined Statements of Cash Flows

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before income tax	61,925	121,971	135,669
Adjustments for:			
Depreciation of property, plant and equipment	2,251	3,300	11,618
Finance costs	816	1,317	3,640
Bank interest income	(10)	(11)	(26)
Operating cash flows before movements in working capital	64,982	126,577	150,901
(Increase) decrease in rental deposits	(1,000)	(2,000)	3,000
(Increase) decrease in trade and other receivables	(57,474)	(164,542)	(50,191)
Increase in trade and other payables	37,996	85,474	1,077
Cash generated from operations	44,504	45,509	104,787
PRC income tax paid	(92)	(291)	(29,124)
NET CASH FROM OPERATING ACTIVITIES	44,412	45,218	75,663
INVESTING ACTIVITIES			
Interest received	10	11	26
Purchase of property, plant and equipment	(6,285)	(435)	(1,511)
Deposit paid for acquisition of property, plant and equipment	(18,700)	(9,794)	(273)
Advance to a director	(138,293)	(234,128)	(167,995)
Repayment from a director	116,176	181,223	78,307
NET CASH USED IN INVESTING ACTIVITIES	(47,092)	(63,123)	(91,446)
FINANCING ACTIVITIES			
New bank borrowings raised	7,500	27,500	40,000
Repayment of secured bank borrowings	(7,500)	(7,500)	(27,500)
Capital injection	3,000	—	—
Issue of shares by Power Wealth BVI	—	—	173,548
Advance from a director	4,919	59	65,237
Repayment to a director	(5,115)	(46)	(221,106)
Interest paid	(816)	(1,317)	(3,640)
NET CASH FROM FINANCING ACTIVITIES	1,988	18,696	26,539
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(692)	791	10,756
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,665	973	1,764
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	973	1,764	12,520

Notes to the Financial Information

1. REORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on May 31, 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. The principal activities of the Group are provision of dredging services in the PRC. Prior to the Reorganization and on August 18, 2010, the entire issued share capital of the Company, being 1,000,000 nil paid ordinary shares of HK$0.1 each held by Mr. Liu Kaijin ("**Mr. Liu**"), was transferred by Mr. Liu to Wangji Limited, a company wholly owned by Mr. Liu. As a result, the ultimate controlling shareholder of the Company is Mr. Liu.

As part of the Reorganization, the PRC Operational Entity, Xiangyu PRC and their respective equity participants, being Mr. Liu and Ms. Zhou entered into a series of agreements (the "**Contractual Arrangements**") on April 19, 2011 with the following key provisions:

(i) Option Agreement

Xiangyu PRC, the PRC Operational Entity, Mr. Liu and Ms. Zhou entered into an exclusive option agreement ("**Option Agreement**") whereby Mr. Liu and Ms. Zhou have irrevocably granted Xiangyu PRC an option to acquire, directly or through one or more nominees, the entire equity interest held by Mr. Liu and Ms. Zhou in the PRC Operational Entity at a price ("**Acquisition Cost**") equivalent to the fair market value of such equity interest or, where applicable, the amount as permitted by the applicable PRC laws. The Acquisition Cost, when received, will be contributed by Mr. Liu and Ms. Zhou to the Xiangyu PRC as capital surplus. Subject to the compliance with the PRC laws, Xiangyu PRC may exercise the option at any time, in respect of all or part of the equity interest and in any manner at its sole discretion.

Pursuant to the Option Agreement, each of the PRC Operational Entity, Mr. Liu and/or Ms. Zhou has given undertakings that it shall perform certain acts or refrain from performing certain other acts unless with the prior written consent of Xiangyu PRC, including but not limited to the below matters:

(a) that the PRC Operational Entity shall not alter its constitutional documents or its registered capital;

(b) that any of the PRC Operational Entity, Mr. Liu and/or Ms. Zhou shall not incur any indebtedness (other than those incurred in the ordinary course of business and disclosed to and approved by Xiangyu PRC);

(c) that the PRC Operational Entity shall not provide any loan or guarantee to any third parties;

(d) that the PRC Operational Entity shall not dispose of or create encumbrances over any part of its assets, business or revenue and that Mr. Liu and Ms. Zhou shall not dispose of or create encumbrances over the equity interest held by them in the PRC Operational Entity, except the security created under the Equity Pledge Agreement (as defined in (iv) below);

(e) that the PRC Operational Entity shall not enter into any material contracts over certain amount other than those in its ordinary course of business;

(f) that the PRC Operational Entity shall not distribute any dividend (including any undistributed attributable profit payable to the entity shareholders prior to the Option Agreement becoming effective) to its shareholders and that Mr. Liu and Ms. Zhou undertake that such undistributed profit shall be retained in the PRC Operational Entity as its capital and/or reserved fund and shall give up and assign or transfer to Xiangyu PRC any dividend declared and distributed thereafter and payable to them by virtue of their holding of the equity interest in the PRC Operational Entity;

(g) that the PRC Operational Entity shall not make investment or engage in any merger or acquisition transactions; and

(h) that at the request of Xiangyu PRC, Mr. Liu and Ms. Zhou shall appoint such persons nominated by Xiangyu PRC to act as the directors, supervisors and senior management members of the PRC Operational Entity.

The Option Agreement became effective on April 19, 2011 and will expire on the date on which all the equity interests held by Mr. Liu and Ms. Zhou in the PRC Operational Entity are transferred to Xiangyu PRC and/or its nominee(s).

(ii) Proxy Agreement

Xiangyu PRC, the PRC Operational Entity, Mr. Liu and Ms. Zhou entered into a proxy agreement ("**Proxy Agreement**") pursuant to which Mr. Liu and Ms. Zhou have unconditionally and irrevocably undertaken to authorize such person(s) as designated by Xiangyu PRC (being PRC citizens) to exercise the shareholders' rights in relation to appointment of proxy and exercise of voting rights in the PRC Operational Entity under the articles and association of the PRC Operational Entity and the applicable PRC laws. Such shareholders' rights include but not limited to (i) calling and attending the shareholders' meetings of the PRC Operational Entity; (ii) exercising the voting rights on all matters requiring the consideration and approval of shareholders and those pursuant to articles of association of the PRC Operational Entity.

Before Xiangyu PRC acquires the entire equity interests in the PRC Operational Entity contemplated under the Option Agreement, Xiangyu PRC can exercise the voting rights of shareholders as if Xiangyu PRC and hence the Group were the ultimate beneficial owner of the PRC Operational Entity by virtue of the Proxy Agreement.

The term of the Proxy Agreement commenced on April 19, 2011 and will expire on April 18, 2026, and will be renewable at the election of Xiangyu PRC for successive terms of 10 years each until termination by Xiangyu PRC with a 30-day prior notice to the PRC Operational Entity.

(iii) Composite Services Agreement

Xiangyu PRC and the PRC Operational Entity entered into an exclusive composite services agreement ("**Composite Services Agreement**") pursuant to which the PRC Operational Entity will engage Xiangyu PRC on an exclusive basis to provide consultation and other ancillary services in enterprise management and consultancy services, dredging project management and consultancy services.

In consideration of the provision of the aforementioned services by Xiangyu PRC, the PRC Operational Entity agrees to pay to Xiangyu PRC fees on an annual basis in arrears. Fees payable to Xiangyu PRC by the PRC Operational Entity will be equivalent to the total audited revenue less all the related costs, expenses, taxes and statutory reserve of the PRC Operational Entity.

The directors of the Company consider such arrangements will ensure the economic benefits generated from the operations of the PRC Operational Entity will flow to Xiangyu PRC and hence, the Group as a whole.

Pursuant to the Composite Services Agreement, the PRC Operational Entity shall not without the prior written consent of Xiangyu PRC to dispose of or pledge its material assets, operation rights and/or business; alter its registered capital; alter its scope of business; declare dividends; and/or remove any of its director and senior management members. Pursuant to the Composite Services Agreement, Xiangyu PRC is required to pay to the PRC Operational Entity a surety amount of approximately HK$22,276,000 for the performance of its services provided to the PRC Operational Entity under the Composite Services Agreement. As a security for the due payment of the consultation service fees and repayment of the surety money by the PRC Operational Entity to Xiangyu PRC under the Composite Services Agreement, the PRC Operational Entity has agreed to pledge its interest in the three vessels owned or (as the case may be) jointly-owned by it to Xiangyu PRC.

The term of the Composite Services Agreement commenced from April 19, 2011, and will expire on April 18, 2026, which will be renewable at the request of Xiangyu PRC for successive terms of 10 years each until termination by Xiangyu PRC with a 30 day prior written notice to the PRC Operational Entity.

(iv) Equity Pledge Agreement

Xiangyu PRC, the PRC Operational Entity, Mr. Liu and Ms. Zhou entered into an equity pledge agreement ("**Equity Pledge Agreement**"), pursuant to which Mr. Liu and Ms. Zhou granted a continuing first priority security interests over their respective equity interests in the PRC Operational Entity to Xiangyu PRC for guaranteeing the performance of the Composite Services Agreement, the Option Agreement and the Proxy Agreement.

Pursuant to the Equity Pledge Agreement, without the prior written consent of Xiangyu PRC, the PRC Operational Entity shall not alter its current shareholding structure and/or its nature or scope of business, Mr. Liu and Ms. Zhou shall not allow the PRC Operational Entity to transfer or dispose of its assets or pledge or transfer their respective equity interests in the PRC Operational Entity in favor of or to other third parties. Xiangyu PRC is entitled to receive all dividends derived from the pledged equity interests. Xiangyu PRC is entitled to demand repayment of the secured indebtedness and/or to exercise its rights to sell the pledged equity interests on occurrence of certain events of default including but not limited to non-performance or breach of any of the Composite Services Agreement, the Option Agreement and the Proxy Agreement; or failure to repay other debts when due by the PRC Operational Entity, Mr. Liu or Ms. Zhou (as the case may be).

The Equity Pledge Agreement became effective from the date of its execution and shall terminate upon performance of all obligations under the Composite Services Agreement, the Option Agreement and the Proxy Agreement in full.

(v) Vessel Pledge Agreements

The PRC Operational Entity and Xiangyu PRC have entered into three vessel pledge agreements ("**Vessel Pledge Agreements**") dated April 19, 2011, pursuant to which the PRC Operational Entity has pledged in favor of Xiangyu PRC (i) its entire interest in the dredger "Zhuayang No. 101; (ii) its 50% interest in the dredger "Kaijin No. 1" and (iii) its 50% interest in the dredger "Kaijin No. 3" to Xiangyu PRC, as security for the due payment of the consultation service fees and repayment of the surety money (as well as related interest and expenses, etc.) then owing by the PRC Operational Entity to Xiangyu PRC under the Composite Services Agreement.

Pursuant to the Vessel Pledge Agreements, without the prior written consent of Xiangyu PRC, the PRC Operational Entity shall not pledge or dispose of its interests in the pledged vessels or any part thereof. Xiangyu PRC is entitled to exercise its rights to sell the pledged vessels on occurrence of certain events of default, including but not limited to the non payment of the secured indebtedness or non-performance of the Composite Services Agreement.

The Vessel Pledge Agreements became effective from the date of its execution and shall terminate upon payment or repayment of the consultation service fees, surety money and all other related expenses under the Composite Services Agreement.

The directors of the Company, after consulting legal opinion, are of the view that the terms of the Contractual Arrangements have in substance enable Xiangyu PRC to obtain control over, and benefit from the entire beneficial economic interests in, the PRC Operational Entity despite the absence of formal legal equity interest therein.

Power Wealth BVI was incorporated on May 17, 2010 and one ordinary share of US$1.00 each was allotted and issued to Mr. Liu on June 18, 2010. Xiangyu PRC was established on June 11, 2010 as a wholly owned subsidiary of Power Wealth HK. On June 30, 2010, Power Wealth BVI acquired from Mr. Liu 100,000 shares of HK$1 each in Power Wealth HK, representing its entire issued share capital, in consideration of and in exchange for which Power Wealth BVI allotted and issued, credited as fully paid, a total of 9,999 new shares of US$1.00 each in its capital to Mr. Liu. Accordingly, Power Wealth HK became the wholly owned subsidiary of Power Wealth BVI. Prior to the Reorganisation and on August 18, 2010, Mr. Liu transferred the entire issued share capital of Power Wealth BVI (being 10,000 ordinary shares of US$1.00 each) to Wangji Limited, a company wholly owned by himself. On September 18, 2010, Power Wealth BVI, further issued and allotted 10,000 new shares of US$1.00 each at a consideration of RMB173,548,000 to Wangji Limited to raise additional capital for the Group. Through a share exchange as part of the Reorganization which was completed on April 19, 2011 by interspersing the Company between Power Wealth BVI and Wangji Limited, the Company became the holding company of the companies now comprising the Group on the same date.

As PRC Operational Entity, Xiangyu PRC and other companies comprising the Group have been under common control of Mr. Liu since their respective establishment date, the Reorganisation including the execution of the Contractual Arrangements is considered as a business combination under common control. Accordingly, the PRC Operational Entity and Xiangyu PRC are accounted for as subsidiaries of the Company throughout the Track Record Period on a merger basis. The assets, liabilities and results of PRC Operational Entity and Xiangyu PRC are included in the Financial Information of the Group as if the Company had always been the parent of PRC Operational Entity and Xiangyu PRC.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows include the results and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation or establishment. The combined statements of financial position of the Group as at December 31, 2008, 2009 and 2010 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

The Financial Information is presented in Renminbi ("**RMB**"), the currency of the primary economic environment in which the Company and its principal subsidiaries operate (functional currency of the Company and its principal subsidiaries).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted Hong Kong Accounting Standards ("**HKASs**"), HKFRSs, amendments and interpretations ("**HK(IFRIC)-Int**"), which are effective for the accounting period beginning on January 1, 2010 throughout the Track Record Period, except for HKFRS 3 (revised 2008), which has been applied for business combination for which the acquisition date is on or after January 1, 2010 and HKAS 27 (revised) which has been applied for accounting period beginning on January 1, 2010.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretations that have not yet became effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.

2 Effective for annual periods beginning on or after July 1, 2010.

3 Effective for annual periods beginning on or after July 1, 2011.

4 Effective for annual periods beginning on or after January 1, 2013.

5 Effective for annual periods beginning on or after January 1, 2012.

6 Effective for annual periods beginning on or after January 1, 2011.

7 Effective for annual periods beginning on or after February 1, 2010.

While the Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information, the directors of the Company anticipate that their application will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below which conform with the HKFRSs issued by the HKICPA.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of combination

The Financial Information incorporates the financial statements of companies now comprising the Group.

Where necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operation policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statement items of the combining entities when a common control combination has occurred as if they had been combined from the date when the combining entities first came under the control of the common controlling shareholders. The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquire's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when combining entities first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from services income are recognized when services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the item) is included in profit or loss in the period in which the item is derecognized.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognized as an expense on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (*i.e.*, the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Retirement benefit costs

Payments to defined contribution scheme are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes, are dealt with as payments to defined contribution scheme where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled, or the asset is realized based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognized in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a director and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, and observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, secured bank borrowings and amount due to a director) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Estimated allowance for trade and other receivables

Management regularly reviews the recoverability of trade and other receivables. Allowance for these receivables is made based on evaluation of collectability and on management's judgment by reference to the estimation of the future cash flows discounted at an effective rate to calculate the present value. A considerable amount of judgment is required in assessing the ultimate realization of these debtors, including their current creditworthiness. If the actual future cash flows were less than expected, additional allowance may be required.

Estimated useful life of property, plant and equipment

Dredgers and plant and machinery included in property, plant and equipment are depreciated over their useful economic lives. The assessment of estimated useful lives is a matter of judgment based on the experience of the Group, taking into account factors such as technological progress, conditions of the dredgers and plant and machinery and changes in market demand. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of the dredgers and plant and machinery, changes to the estimates used can result in variation in their carrying value.

5. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the directors, who are also the chief operating decision makers that are used to make strategic decisions.

The Group has two operating segments, namely (i) Dredging Business and (ii) Dredging Related Construction Business. The segments are managed separately as each business offers different services and requires different marketing strategies.

Dredging Business refers to the capital and reclamation dredging services and related consultation services provided by the Group.

Dredging Related Construction Business refers to ancillary work related to the dredging services provided by the Group.

An analysis of the Group's revenue and segment results, and other selected financial information for the Track Record Period by operating segment is as follows:

	Dredging Business	Dredging Related Construction Business	Total
	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2008			
Segment revenue	97,804	35,545	133,349
Segment results	52,356	9,006	61,362
Unallocated income:			
Bank interest income			10
Other income			4,282
Unallocated corporate expenses			(2,913)
Finance costs			(816)
Profit before tax			61,925
For the year ended December 31, 2009			
Segment revenue	287,967	58,582	346,549
Segment results	109,204	14,408	123,612
Unallocated income:			
Bank interest income			11
Other income			4,792
Unallocated corporate expenses			(5,127)
Finance costs			(1,317)
Profit before tax			121,971
For the year ended December 31, 2010			
Segment revenue	362,766	12,117	374,883
Segment results	167,663	2,397	170,060
Unallocated income:			
Bank interest income			26
Unallocated corporate expenses			(9,246)
Listing expenses			(21,531)
Finance costs			(3,640)
Profit before tax			135,669

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segments results represent the profit earned by each segment without allocation of central administrative costs and marketing and promotion expenses, directors' salaries, staff cost for corporate office, other income and finance costs. This is the measure reported to the Group's executive directors for the purposes of resource allocation and performance assessment.

Depreciation of property, plant and equipment has been included in the segment results of the Dredging Business due to the related property, plant and equipment are operated in this segment.

Segment assets and liabilities

As the assets and liabilities are regularly reviewed by the executive directors in total for the Group as a whole, the measure of total assets and liabilities by operating segment is therefore not presented.

Geographical information

As all the Group's revenue is derived from its operation in the PRC and substantially all its assets and liabilities are located in the PRC, no geographical information is presented.

Information about major customers

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

	Year ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Customer A			
— Dredging business	30,748	134,064	181,594
— Dredging Related Construction business	35,548	53,447	12,117
Customer B			
— Dredging business	28,279	36,989	—
Customer C			
— Dredging business	16,435	70,459	152,122
Customer D			
— Dredging business	—	35,609	—

6. OTHER INCOME

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Gross rental income from sub-lease of chartered dredgers and lease of self-owned plant and machinery	10,359	5,231	—
Less: Related rental expenses and business tax	(6,077)	(439)	—
Net rental income	4,282	4,792	—
Bank interest income	10	11	26
	4,292	4,803	26

7. FINANCE COSTS

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Interest expense on:			
Bank borrowings wholly repayable within five years	671	1,249	2,285
Discounted bills	145	68	1,355
	816	1,317	3,640

8. INCOME TAX EXPENSE

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current tax:			
PRC Enterprise Income Tax ("**EIT**")			
— current year	16,261	33,130	40,639

notes:

(i) Hong Kong

No provision for Hong Kong Profits Tax has been provided as entities within the Group had no assessable profit subject to Hong Kong Profits Tax during the Track Record Period.

(ii) The PRC

Prior to the New EIT Law and Implementation Regulations (as defined below), PRC Enterprise Income Tax was calculated at 33% of an entity's assessable profit. On March 16, 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax (the "**New EIT Law**") by order No. 63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law (the "**Implementation Regulations**"). The New EIT Law and Implementation Regulations changed the PRC Enterprise Tax rate from 33% to 25% from January 1, 2008 onwards. Accordingly, the PRC Operational Entity was subject to PRC Enterprise Income Tax at the rate of 25% for the Track Record Period.

Because the dredging services performed by the PRC Operational Entity was part of the large-scale and long term government infrastructure projects undertaken by its customers, the finalization of these projects are subject to complex processes of certifications by various parties, the relevant tax authority has, on December 17, 2007, agreed that the PRC Operational Entity was not required to file tax returns and pay relevant income tax until these projects were fully completed by the customers. Accordingly, during the Track Record Period, the PRC Operational Entity only paid provisional tax of approximately RMB2,048,000 based on mutual agreement with the relevant tax authority.

For the purpose of preparing the Financial Information, the PRC Operational Entity provided for PRC Enterprise Income Tax for the Track Record Period based on the applicable tax rates. On September 21, 2010, the PRC Operational Entity filed the audited financial statements prepared in accordance with PRC GAAP for the period from date of establishment to December 31, 2007 and each of the two years ended December 31, 2009 to the relevant tax authority. On September 26, 2010, the PRC Operational Entity paid an amount of RMB27,459,000 and Mr. Liu, as its controlling shareholder, paid on behalf of the PRC Operational Entity an amount of approximately RMB21,833,000 to the relevant tax authority, to settle the EIT tax liability attributable to these years.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the combined statements of comprehensive income as follows:

	Year ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Profit before tax	61,925	121,971	135,669
Tax at the domestic income tax rate *(note)*	15,482	30,493	33,917
Tax effect of expenses not deductible for tax purpose	779	2,637	6,722
Tax charge for the year	16,261	33,130	40,639

note: The PRC EIT rate is 25% for the Track Record Period.

9. PROFIT FOR THE YEAR

	Year ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Profit for the year has been arrived at after charging:			
Directors' emoluments *(note 10)*	94	92	951
Other staff costs	3,319	6,592	15,837
Retirement benefit scheme contributions, excluding those of directors	518	957	1,161
Total staff costs	3,931	7,641	17,949
Auditor's remuneration	9	9	17
Depreciation of property, plant and equipment	2,251	3,300	11,618
Sub-contracting charges included in operating cost			
— Dredging business	7,584	109,012	2,884
— Dredging related construction business	26,539	44,174	9,720
	34,123	153,186	12,604

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the directors of the Company during the Track Record Period are as follows:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Fee	—	—	—
Salaries and other allowances	83	79	944
Retirement benefit scheme contributions	11	13	7
	94	92	951
Executive directors:			
Mr. Liu	94	92	951
Ms. Zhou	—	—	—
	94	92	951
Non-executive director:			
Mr. Dong Liyong	—	—	—
	—	—	—
Independent non-executive director:			
Ms. Leung Mei Han	—	—	—
Mr. Zhang Jun	—	—	—
Ms. Peng Cuihong	—	—	—
	—	—	—
	94	92	951

Employees

Of the Group's five highest paid individuals during the Track Record Period, one of them is a director of the Company for the year ended December 31, 2008 and 2010 whose emoluments presented above. The emoluments of the remaining highest paid individuals, are as follows:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries and other allowances	607	758	3,109
Retirement benefit scheme contributions	65	134	28
	672	892	3,137

note: The emolument of each of the above employees is below HK$1,000,000 (equivalent to approximately RMB900,000).

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the following data:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Earnings			
Profit for the year attributable to equity holders of the Company	45,664	88,841	95,030
Number of shares			
Weighted average number of shares for the purpose of basic earnings per share ('000)	79,551	110,975	250,314

The weighted average number of shares for the purpose of basic earnings per shares is calculated based on the 100,000,000 shares in issue and 500,000,000 shares to be issued upon the capitalization issue and reorganization as described in "Statutory and General Information" in Appendix VII, and also have taken into account the weighted average effect of the capital injection by Mr. Liu to the Group during the Track Record Period.

No diluted earnings per share is presented as there were no potential dilutive shares in issue.

12. DIVIDENDS

No dividend has been paid or declared by the Company or its subsidiaries since the date of its incorporation or during the three years ended December 31, 2010.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building	Dredgers	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2008	4,221	—	14,573	6	130	18,930
Additions	—	24,316	107	63	2,575	27,061
At December 31, 2008	4,221	24,316	14,680	69	2,705	45,991
Additions	—	—	48	17	370	435
At December 31, 2009	4,221	24,316	14,728	86	3,075	46,426
Additions	—	346,000	53	54	1,404	347,511
At December 31, 2010	4,221	370,316	14,781	140	4,479	393,937
DEPRECIATION						
At January 1, 2008	14	—	445	—	9	468
Provided for the year	85	878	990	12	286	2,251
At December 31, 2008	99	878	1,435	12	295	2,719
Provided for the year	85	1,621	1,008	14	572	3,300
At December 31, 2009	184	2,499	2,443	26	867	6,019
Provided for the year	85	9,789	1,020	22	702	11,618
At December 31, 2010	269	12,288	3,463	48	1,569	17,637
CARRYING VALUE						
At December 31, 2008	4,122	23,438	13,245	57	2,410	43,272
At December 31, 2009	4,037	21,817	12,285	60	2,208	40,407
At December 31, 2010	3,952	358,028	11,318	92	2,910	376,300

The Group's leasehold land and building is held under a medium term lease in Hong Kong.

The leasehold interest in land cannot be allocated reliably between the leasehold land and building elements, the leasehold interest in land is accounted for as property, plant and equipment.

As at December 31, 2010, two dredgers of the Group with an aggregate carrying value of approximately RMB337,832,000 were pledged to secure the borrowings obtained by Wangji Limited, the holding company of the Group. Details of these are set out in note 24(III).

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives using the straight line method, and after taking into account their estimated residual values (if any) on the following bases:

Leasehold land and building	2%
Dredgers	5%–6.7%
Plant and machinery	6.7%
Furniture, fittings and office equipment	10%–20%
Motor vehicles	10%–20%

14. (a) RENTAL DEPOSITS

	At December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Rental deposits for chartered dredgers	1,000	3,000	—

The amount represents the rental deposits paid for the chartered dredgers with lease terms over one year.

(b) TRADE AND OTHER RECEIVABLES

Trade receivables	60,681	215,703	216,084
Less: Allowance on trade receivables	—	—	—
	60,681	215,703	216,084
Bills receivable	—	—	42,000
Deposits, prepayments and other receivables			
Rental deposits for chartered dredgers with short term leases	3,000	1,000	2,073
Rental receivables	1,400	500	300
Retention receivables	609	9,317	6,224
Deposits and prepayments	17	2,524	12,431
Others	—	1,205	1,328
	5,026	14,546	22,356
	65,707	230,249	280,440

The Group prepares an aged analysis for its trade receivables based on the dates when the Group and the customers agreed on the quantum of the services provided, as evidenced by progress certificates. Monthly statements are issued by the Group and agreed with the customers for the work performed and services rendered for the customers. Most of the contracts require the customers to make monthly progress payments with reference to the value of work completed (typically 70% to 80% of the value of work completed in the previous month) within thirty days after the issuance of the progress certificate each month. According to these contracts, the remaining balance (20% to 30% of the value of work completed) is to be paid by the customers within thirty to sixty days after the project is completed and the customers received payment from the project owners. The aged analysis of the Group's trade receivables (net of allowance on trade receivables) at the end of each reporting period is as follows:

	At December 31,		
Aged analysis of the Group's trade receivables	**2008**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
0–30 days	21,683	91,015	65,036
31–60 days	2,385	33,154	32,045
61–90 days	10,818	17,231	21,844
91–180 days	21,758	50,682	62,552
Over 180 days	4,037	23,621	34,607
	60,681	215,703	216,084

The bills receivable is aged within 0–30 days.

Retention receivables represent trade receivable retained by customers during the maintenance period which is normally less than one year from the completion of provision of services. The Group prepares an aged analysis for its retention receivables based on the date of the last monthly progress certificate of the project. The aged analysis of the Group's retention receivables at the end of each reporting period is as follows:

	At December 31,		
Aged analysis of the Group's retention receivables	**2008**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
0–30 days	431	4,938	—
31–60 days	—	267	—
61–90 days	178	—	22
91–180 days	—	2,273	1,323
Over 180 days	—	1,839	4,879
	609	9,317	6,224

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.

Included in the Group's trade receivable balance are debtors which were past due as at the reporting date but for which the Group has not provided for impairment loss as follows:

Aging of trade receivables which were past due but not impaired

	At December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
0–30 days	17,917	47,466	13,722
31–60 days	2,295	27,828	4,065
61–90 days	10,147	14,962	81
91–180 days	14,400	27,660	84
Over 180 days	1,282	19,682	10,280
	46,041	137,598	28,232

The Group does not hold any collateral over the above balances, but management considers that no impairment loss needs to be recognized in view of the financial background of these customers and their historical and subsequent repayments.

No allowance for doubtful debts was recognised by the Group during the Track Record Period.

15. AMOUNT DUE FROM (TO) A DIRECTOR

The amount is due from (to) Mr. Liu and is unsecured, interest-free and non-trade in nature. The balance due to Mr. Liu at December 31, 2010 was fully settled as at the date of this report.

The maximum outstanding amount due from Mr. Liu during the Track Record Period are as follows:

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Amount due from Mr. Liu	36,088	92,220	100,481

16. BANK BALANCES AND CASH

Bank balances and cash of the Group comprise cash and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest rates as follows:

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Range of interest rates (per annum)	0.1%–0.72%	0.01%–0.36%	0.01%–0.36%

17. TRADE AND OTHER PAYABLES

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade payables	37,870	114,107	103,106
Other payable and accruals	6,588	13,405	17,990
Receipts in advance	—	2,000	3,991
Others	77	497	2,591
	6,665	15,902	24,572
	44,535	130,009	127,678

The aged analysis of the Group's trade payables as at the end of each reporting period is as follows:

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
0–30 days	4,043	47,531	22,730
31–60 days	2,547	13,809	13,042
61–90 days	5,478	14,631	11,081
91–180 days	15,945	22,842	16,507
Over 180 days	9,857	15,294	39,746
	37,870	114,107	103,106

18. SECURED BANK BORROWINGS

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Secured bank borrowings repayable within one year	7,500	27,500	40,000

The Group's secured bank borrowings at December 31, 2008 and 2009 carried variable interest rate with reference to the benchmark borrowing rate of The People's Bank of China ("**Benchmark rate**") plus certain basis point. The Group's secured bank borrowings at December 31, 2010 carried fixed interest rate ranged from 4.87% to 5.31 % per annum. The effective interest rates of the secured bank borrowings (which are also equal to contracted interest rates) were as follows:

	At December 31,		
	2008	2009	2010
Effective interest rate (per annum)	7.99%	6.37%	4.87%–5.31%
	(Benchmark rate plus 20%)	(Benchmark rate plus 20%)	(Fixed interest rate)

The Group's secured bank borrowings were secured by the properties held by related parties and guarantee given by the related parties, details of which are set out in note 24.

19. PAID-IN-CAPITAL/SHARE CAPITAL

For the purpose of the preparation of the combined statements of financial position, the balances of the paid-in capital/share capital at December 31, 2008 and 2009 represents the aggregate amount of the paid-in capital of the PRC Operational Entity and the share capital of Power Wealth HK contributed by Mr. Liu.

On August 18, 2010, Power Wealth BVI issued and allotted 9,999 new shares of US$1.00 each to acquire the entire issued share capital of Power Wealth HK from Mr. Liu (the "**Share Exchange**"). On September 18, 2010, Power Wealth BVI further issued and allotted 10,000 new shares of US$1.00 each at a total consideration of RMB173,548,000 to Wangji Limited to raise additional capital for the Group. Accordingly, the balance of paid-in capital/share capital at December 31, 2010 represents the paid-in capital of the PRC Operational Entity and the share capital of Power Wealth BVI.

20. MAJOR NON-CASH TRANSACTION

(i) During the year ended December 31, 2008, a dredger with an amount of approximately RMB24,316,000 was injected by Mr. Liu to PRC Operational Entity as paid-in capital.

(ii) During the year ended December 31, 2010, two dredgers with an aggregate amount of approximately RMB346,000,000 were acquired through the amount due to a director. In addition, deposits of RMB28,494,000 paid for the acquisition of these dredgers and outstanding as at December 31, 2009 were also transferred to property, plant and equipment during the year ended December 31, 2010.

21. OPERATING LEASES

The Group as lessee

(i) *Minimum lease payments paid*

	Year ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Minimum lease payments paid under operating lease during the year:			
— chartered dredgers	15,698	20,848	71,957
— office premises	—	—	351
	15,698	20,848	72,308

(ii) *Minimum lease payment commitment*

At the end of the respective reporting period, the Group was committed to make the following future minimum charter payments under non-cancellable operating leases which fall due as follows:

(a) *Chartered dredgers*

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within one year	17,109	13,009	43,064
In the second to fifth year inclusive	2,310	13,200	—
	19,419	26,209	43,064

The leases for chartered dredgers are generally negotiated for a term from one to two years.

(b) *Office premises*

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within one year	—	51	858
In the second to fifth year inclusive	—	204	832
Over five years	—	306	245
	—	561	1,935

The leases for office premises are generally negotiated for a term from one to ten years.

The Group as lessor

Rental income earned during the Track Record Period is set out in note 6.

At the end of the respective reporting period, the Group had contracted with the lessees in respect of sub-lease of chartered dredgers and lease of plant and machinery for the followings future minimum lease receipts:

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within one year	2,800	—	—
In the second to fifth year inclusive	—	—	—
	2,800	—	—

22. CAPITAL COMMITMENTS

The PRC Operational Entity entered into a letter of intent to acquire a dredger in 2008 but the terms and the consideration were not concluded until 2010. Deposits of RMB18,700,000 and RMB28,494,000 were paid and outstanding as at December 31, 2008 and 2009 respectively. The acquisition of the dredger were completed during the year ended December 31, 2010. No further capital commitment is for the dredger acquisition was outstanding as at December 31, 2010.

Power Wealth HK entered into leasehold improvement contracts for office decoration during the year ended December 31, 2010 for a total amount of approximately RMB390,000. Deposit of RMB273,000 was paid as at December 31, 2010 and capital commitment of RMB117,000 outstanding as at December 31, 2010.

23. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the respective local government in the PRC. The Group is required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to make the specified contributions.

24. RELATED PARTY DISCLOSURES

(I) Related party transactions

During the Track Record Period, the Group had the following transactions with related parties:

		Year ended December 31,		
Related party	**Nature of transaction**	**2008**	**2009**	**2010**
		RMB'000	**RMB'000**	**RMB'000**
Mr. Liu	Acquisition of dredgers	—	—	346,000
	Capital injection in the form of dredgers	24,316	—	—
	PRC EIT tax paid on behalf of the PRC Operational Entity	—	—	21,833
Yancheng City San Ben Concrete Company Limited (鹽城三本混凝土有限公司) ("**San Ben Concrete**")	Rental expense*	—	—	51
Yancheng Xingyu Construction Material Manufacturing Company Limited (鹽城興宇建材製造有限公司) ("**Xingyu Construction**")	Rental expense*	—	—	10

On December 30, 2009, the PRC Operational Entity entered into a rental agreement with San Ben Concrete, a company controlled by Mr. Liu, for the lease of office premise with a lease term of 10 years. Pursuant to the relevant tenancy agreement, the term of tenancy commenced from December 30, 2009 and will expire on December 29, 2019 at an annual rental of RMB51,000.

In addition, during the Track Record Period and up to July 15, 2010, the PRC Operational Entity occupied certain office space owned by Xingyu Construction, a company controlled by Mr. Liu, without charge. Pursuant to a tenancy agreement entered into between the PRC Operational Entity and Xingyu Construction on July 16, 2010, a term of tenancy was established for the period from July 16, 2010 to June 30, 2013 at an annual rental of RMB40,000.

* Except for the PRC Operational Entity occupied certain office space owned by Xingyu Construction without charge during the Track Record Period and up to July 15, 2010, in the opinion of the directors, the transactions with Xingyu Construction from July 16, 2010 to December 31, 2010 and transaction with San Ben Concrete are carried out on normal commercial terms.

The fund transfers through current account with Mr. Liu during the Track Record Period are set out in the combined statements of cash flows.

The directors of the Company represented that only the rental transactions are expected to be continued after the listing of the Company's Shares on the Stock Exchange.

(II) Guarantees and pledge of assets in support of the Group's borrowings

Throughout the Track Record Period, the Group's secured bank borrowings were supported by:

(i) personal guarantees provided by Mr. Liu;

(ii) pledge of properties owned by (a) Mr. Liu; (b) Ms. Zhou and Li Jing (李錚), (both are directors of the PRC Operational Entity) and (c) Yancheng Feng Yu Machinery Company Limited (鹽城市豐宇機械有限公司) and Xingyu Construction, both are companies controlled by Mr. Liu.

As of December 31, 2010, the pledge of properties in item (ii) was released and the security to the Group's bank borrowings was replaced with the corporate guarantee given by Xiangyu PRC.

The guarantees provided by Mr. Liu was released prior to the listing of the Company's shares on the Stock Exchange.

(III) Pledge of the Group's assets in support of loans granted to holding company

(a) On September 7, 2010, Wangji Limited obtained a loan of HK$230 million from a financial institution (the "**Financial Institution**"). The collaterals of such loan are: (i) personal guarantee by Mr. Liu; (ii) pledge of the entire share capital of Wangji Limited; (iii) pledge of the entire share capital of the Company; (iv) pledge of the entire share/registered capital of certain of the Company's subsidiaries and (v) pledge of Xiangyu PRC's interest in two of its dredgers. On September 18, 2010, Wangji Limited applied an amount of HK$200 million out of the above loan proceed to subscribe for an additional 10,000 shares in Power Wealth BVI. On October 4, 2010, 40% of the collaterals (ii) to (v) were released and reassigned to another financial institution for the purpose of securing another loan of HK$153 million obtained by Wangji Limited on that same date as more described in note (b) below.

(b) On October 4, 2010, Wangji Limited obtained a loan of HK$153 million from another financial institution. The collaterals of such loan are: (i) personal guarantee by Mr. Liu; (ii) pledge of the 40% of the share capital of Wangji Limited; (iii) pledge of 40% of share capital of the Company; (iv) pledge of 40% of the entire share/registered capital of certain of the Company's subsidiaries and (v) pledge of 40% of Xiangyu PRC's interest in two of its dredgers.

Collaterals (iii) to (v) as stated above are expected to be released upon listing of the Company's shares on the Stock Exchange. The collateral over the equity interest in Wangji Limited shall be released upon the entire loans owing by Wangji Limited to the relevant financial institutions have been discharged in full. The personal guarantee provided by Mr. Liu shall be released upon all obligations (including but not limited to the payment of the performance compensation mentioned therein) on the part of Mr. Liu under the warrant agreements dated September 7, 2010 and October 4, 2010 respectively between Wangji Limited and the relevant financial institutions have been performed and discharged in full.

Further details of the above transactions are set out in the section headed "History, Reorganisation and Corporate Structure — Pre-IPO Investments" in the Prospectus.

(IV) Related party balances

Details of the balance due from (to) Mr. Liu are set out in note 15.

(V) Compensation of key management personnel

The emolument of directors who are also identified as members of key management of the Group during the Track Record Period is set out in note 10.

25. CONTINGENT LIABILITY

As at December 31, 2009, the PRC Operational Entity issued a financial guarantee of RMB10,000,000 to a bank in respect of banking facility granted to a third party. The facility was fully utilized by that third party as at December 31, 2009. The financial guarantee was released in June 2010.

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Track Record Period.

The capital structure of the Group consists of amount due to a director and secured bank borrowings as disclosed in notes 15 and 18 respectively and equity attributable to equity holders of the Company, comprising paid up capital/share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Financial assets			
Loans and receivables (including cash and cash equivalents)	92,879	310,610	278,456
Financial liabilities			
Amortized cost	56,752	153,002	169,570

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, amount due from (to) a director, bank balances and secured bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Interest rate risk*

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank borrowings as at December 31, 2008 and 2009. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings as at December 31, 2010.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowing at the end of the reporting period.

The analysis is prepared assuming the amount of the outstanding at that date was outstanding for the whole year/period. 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for bank borrowings, and all other variables were held constant, the Group's profits for the Track Record Period would decrease/increase as follow:

	Year ended December 31, September 30,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Profit of the year.	38	138	—

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure by the counterparties to discharge an obligation was arising from (i) the carrying amount of the respective recognized financial assets as stated in the combined statements of financial position; and (ii) the amount of contingent liability in relation to financial guarantee issued by the Group as disclosed in note 25.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and amount due from a director at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on receivables is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The credit risk on financial guarantee given to the third party was limited because the management regularly communicated with the third party on its financial performance and evaluated whether the continuance of the guarantee was appropriate.

The Group was exposed to a concentration of credit risk on its amount due from a director as at December 31, 2008 and 2009. The management assessed the credit risk by reviewing the repayment from the director during and after the Track Record Period and considered the related default risk was not significant.

The Group also has a significant concentration of credit risk in relation to its trade customers as follows:

	At December 31,		
	2008	2009	2010
	%	%	%
Amount due from the largest customer as a percentage to total trade receivables	42	54	34
Amount due from the five largest customers as a percentage to total trade receivables	99	96	97

Because of its business nature, the Group normally only transacts with PRC government entities or large state-owned companies with solid financial background and hence the number of customers is typically small. Due to its small number, management regularly visits these customers to ensure that there is no dispute on the amounts due. In this regard, the directors consider that the Group's concentration of credit risk is mitigated.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilization of borrowings and ensures compliance with loan covenants.

The following tables detail Group's contractual maturity for its financial liabilities. The tables has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand/ less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2008					
Non-derivative financial liabilities					
Trade and other payables	—	37,870	—	37,870	37,870
Amount due to a director	—	11,382	—	11,382	11,382
Secured bank borrowings — variable rate	7.99	—	8,005	8,005	7,500
		49,252	8,005	57,257	56,752
As at December 31, 2009					
Non-derivative financial liabilities					
Trade and other payables	—	114,107	—	114,107	114,107
Amount due to a director	—	11,395	—	11,395	11,395
Secured bank borrowings — variable rate	6.37	—	28,451	28,451	27,500
Financial guarantee contract		10,000	—	10,000	—
		135,502	28,451	163,953	153,002
As at December 31, 2010					
Non-derivative financial liabilities					
Trade and other payables	—	103,106	—	103,106	103,106
Amount due to a director	—	26,464	—	26,464	26,464
Secured bank borrowings — fixed rate	5.09	—	40,592	40,592	40,000
		129,570	40,592	170,162	169,570

The amount included above for financial guarantee contract is the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectation at December 31, 2009, the Group considered that it was more likely than not that no amount would be payable under the arrangement. The financial guarantee was released in June 2010.

The undiscounted cash flows on financial guarantee contract has been categorized into time band based on the earliest date the bank borrowing obtained by the third party are due for repayment in accordance with loan repayment schedule agreed with the respective lender.

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

At the time of its incorporation, the authorized share capital of the Company was HK$200,000 divided into 2,000,000 ordinary shares of HK$0.10 each. On May 31, 2010, one subscriber share was transferred by its subscriber to Mr. Liu at nil consideration and an aggregate of 999,999 ordinary shares were allotted and issued at nil paid by the Company to Mr. Liu. Other than the issue of nil paid shares, the Company had no other transaction during the Track Record Period.

B. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration was paid or is payable by the Group to the directors of the Company in respect of the Track Record Period.

C. SUBSEQUENT EVENTS

The companies comprising the Group underwent and completed a group reorganization on April 19, 2011 in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganization are set out in the paragraph headed "Corporate Development" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. As a result of the Reorganization, the Company became the holding company of the Group.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, or of any companies comprising the Group, have been prepared in respect of any period subsequent to December 31, 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong