翔宇疏浚控股有限公司
XIANGYU DREDGING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 871

Annual Report
2011

Contents

Corporate Information

Board of Directors

Executive Directors:

Mr. Liu Kaijin *(Chief Executive Officer and appointed as Joint Chairman on 5 March 2012)*
Ms. Zhou Shuhua

Non-Executive Director:

Mr. Dong Liyong *(Joint Chairman)*

Independent Non-Executive Directors:

Ms. Leung Mei Han
Mr. Zhang Jun
Ms. Peng Cuihong

Audit Committee

Ms. Leung Mei Han *(Chairman)*
Mr. Zhang Jun
Ms. Peng Cuihong

Remuneration Committee and Nomination Committee

Mr. Dong Liyong *(Chairman)*
Ms. Leung Mei Han
Ms. Peng Cuihong

Authorised Representatives

Mr. Dong Liyong
Ms. Wong Elsie

Company Secretary

Ms. Wong Elsie *(Associate Member of HKICPA)*

Legal Advisor

Chiu & Partners *(as to Hong Kong Law)*

Compliance Advisor

Guotai Junan Capital Limited

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

Rural Commercial Bank of Huanghai, Yancheng City, Jiangsu
Branch office of Agricultural Bank of China Limited
Jiangsu Changshu Rural Commercial Bank
Bank of Jiangsu, Yan Cheng
China Construction Bank Asia Corporation

Registered Address

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Headquarters and Principal Place of Business

The People's Republic of China:
No. 1 Xingyu Road, Baocai Industrial Zone
Panhuang Town, Yancheng City
Jiangsu Province
the PRC

Hong Kong:
Office 19, 36th Floor, China Merchants Tower
Shun Tak Centre
Nos.168–200 Connaught Road Central
Hong Kong

Principal Share Registrar

Codan Trust Company (Cayman) Limited

Hong Kong Share Registrar

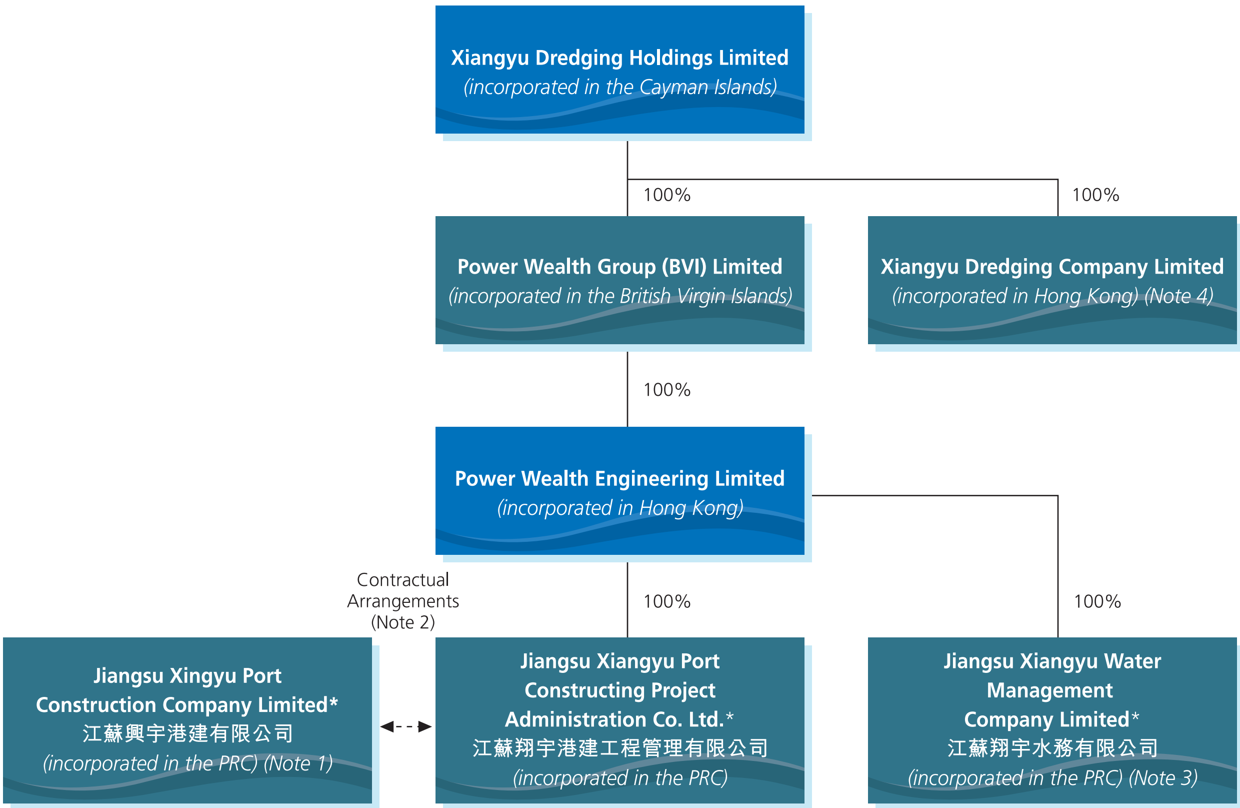
Tricor Investor Services Limited

Website

www.xiangyu.com.hk

Group Chart

The following sets out the group structure of Xiangyu Dredging Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") as at 31 December 2011.



Notes:

1. 江蘇興宇港建有限公司 (Jiangsu Xingyu Port Construction Company Limited*) ("Jiangsu Xingyu"/ "PRC Operational Entity") is held by Mr. Liu Kaijin ("Mr. Liu") and Ms. Zhou Shuhua ("Ms. Zhou"), and Ms. Zhou holds all her equity interest in Jiangsu Xingyu as trustee for Mr. Liu.
2. On 19 April 2011, Jiangsu Xingyu, 江蘇翔宇港建工程管理有限公司 (Jiangsu Xiangyu Port Constructing Project Administration Co. Ltd.*) ("Xiangyu PRC"), Mr. Liu and Ms. Zhou entered into a series of contracts (collectively known as the "Contractual Arrangements", details of which are set out in note 2 to the financial statements in this annual report) pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu are transferred to Xiangyu PRC.
3. 江蘇翔宇水務有限公司 (Jiangsu Xiangyu Water Management Company Limited*) ("Xiangyu Water Management") was incorporated as a wholly-owned foreign entity in the People's Republic of China (the "PRC") in August 2011.
4. Newly acquired in the year ended 31 December 2011.

* *For identification purpose only*

CEO Statement

Dear Shareholders,

On behalf of the board of directors ("Directors", each a "Director") of the Company (the "Board"), I am pleased to present our first annual report, which highlights the Group's financial performance for the year ended 31 December 2011.

Strong Financial Results

I am delighted to use the term "highlights" to describe this year's result because I believe that this term is justified given the strong financial results we achieved in 2011. The Group's revenue and consolidated net profit of the Group for the year of 2011 amounted to about RMB1,137.3 million and RMB303.2 million respectively, both grew robustly compared with those of 2010.

Diversified Customer Base

We have strong and well-established alliances with our business partners, CCCC TDC Port Construction Engineering Co., Ltd.* (中交天航港灣建設工程有限公司), a subsidiary of China Communications Construction Company Limited (中國交通建設股份有限公司); and Changjiang Wuhan Waterway Engineering Company* (長江武漢航道工程局) ("CWWEC"), a State-owned enterprise under the Changjiang Waterway Bureau, the Ministry of Transport of the PRC* (中國交通運輸部長江航務管理局). With a solid base of recurring contracts, we have been diversifying our customer portfolio in other new projects signed during 2011 such as the Yandu Rivers project (with a contract sum of RMB1.8 billion).

* *For identification purpose only*

Breakthrough Progress in Environmental Protection Dredging and Water Management Sector

Various steams of the businesses in the Group are at different stages of development. For example, our capital and reclamation dredging business is relatively mature, while our environmental protection dredging and water management business is more recent and fast growing.

Focusing on environmental protection dredging as our strategic development direction, the Group successfully completed the trial project (Guanqiaohu project) commissioned by the Wuhan Guanqiaohu Water Pollution Treatment Project Department* (武漢官橋湖污泥清除工程項目經理部). Upon the completion, the Group successfully impressed such client by the consolidated dredging technology including silt removal and dehydration. The success in our trial project enables us to undertake more environmental protection dredging projects such as that in Wuhan where we signed a cooperation memorandum in 2011.

During the year, we also entered into an exclusive strategic alliance agreement with a Swiss manufacturer of the world's first mobile autonomous sludge processor, which the Group was benefited by technology enhancement and strengthened its competitiveness, achieving synergy and savings in procuring dredging equipment.

* *For identification purpose only*

Well Positioned for Expansion

2011 is also an unforgettable year in the development history of the Company. The Company's shares (the "Shares") first became listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 20 June 2011 ("Listing"). The Company's ability to raise external finance is essential to creating value for our shareholders in this highly capital-intensive industry.

Going forward, riding on the large demand of dredging works in the PRC, we are well positioned for our future development. It is believed that the capital and reclamation dredging projects in our pipeline will bring us with continuous and lucrative cash inflow. To further consolidate the Group's position in the dredging market, we shall tactically devote more effort on the Yandu Rivers project and other potential environmental protection dredging and water management projects such as the Wuhan project in order to enhance our reputation in the environmental protection dredging and water management sector by leveraging our brand name in the dredging market.

Appreciation

On behalf of the Board, I would like to take this opportunity to sincerely thank all shareholders of the Company (the "Shareholders") for their support and all my colleagues for their hard work and commitments to the Group.

Liu Kaijin
Chief executive officer

Hong Kong, 23 March 2012

Management Discussion and Analysis

Financial Review

Overview

The followings summarized certain financial highlights of the Group for the year ended 31 December 2011:

- Revenue of about RMB1,137.3 million, representing a year-on-year increase of 203%.

- Consolidated net profit of the Group for the year ended 31 December 2011 was about RMB303.2 million, representing an increase of 219% as compared with 2010.

The Group has three reportable segments: (i) capital and reclamation dredging business ("Capital and Reclamation Dredging Business"), (ii) environmental protection dredging and water management business ("Environmental Protection Dredging and Water Management Business") and (iii) dredging related construction business ("Dredging Related Construction Business").

Revenue

During the year, the Group recorded a strong growth in revenue. Revenue for the year ended 31 December 2011 was about RMB1,137.3 million, representing an increase of about RMB762.4 million as compared with about RMB374.9 million in 2010. The revenue growth was primarily attributable to the increase in capital and reclaimed dredging activities in the PRC which led to increased demands for the Group's dredging services.

The Group's Capital and Reclamation Dredging Business refers to the capital and reclamation dredging services and related consultation services provided by the Group. It relates mainly to port construction and land building using sand, gravel or other dredged materials pumped from areas along or near seashore. The increase in turnover of the Capital and Reclamation Dredging Business was from about RMB362.8 million in 2010 to about RMB930.4 million in 2011, which was mainly due to the increase in the total contract sums under dredging contracts.

The Group's Environmental Protection Dredging and Water Management Business refers to dredging or water management services or constructions of the Group for promoting environmental interests and water quality. It relates mainly to the removal of contaminated sediment or pollutants from rivers, lakes or other water systems to improve water quality and restoring the aquatic ecosystem. The Group has commenced to record revenue from this segment from 2011.

The Group's Dredging Related Construction Business refers to ancillary construction work related to the capital and reclamation dredging services. The decrease in revenue in this segment was due to our focus on Capital and Reclamation Dredging Business and Environmental Protection Dredging and Water Management Business, which enjoy higher gross profit margin. The Group may take up contracts of Dredging Related Construction Business if they offer reasonable returns to the Group or benefit the Group as a whole.

Financial Review (Continued)

Operating cost and gross profit

The Group's operating cost increased from about RMB204.8 million in 2010 to about RMB708.8 million in 2011, representing an increase of about 246%. The Group recorded a gross profit of about RMB428.5 million in 2011, represented a growth of about 152% from that in 2010 of about RMB170.1 million.

During the year, Capital and Reclamation Dredging Business remained as the major operating segment of the Group. The operating cost for this segment for 2011 amounted to approximately RMB528.8 million, representing an increase of about RMB333.7 million or 171% as compared with about RMB195.1 million in 2010. The increase in operating cost of this segment is mainly attributable to the corresponding increase in operating revenue in the year and the increase in fuel cost. The increase in gross profit of this segment is mainly attributable to the increase in operating revenue.

The Environmental Protection Dredging and Water Management Business, which is new to the Group in 2011, recorded an operating cost of about RMB179.9 million, and such business yielded a gross profit margin of about RMB27.0 million.

Other income

Other income for the year ended 31 December 2011 amounted to about RMB44.1 million, representing an increase of more than about RMB44.0 million, from less than about RMB0.1 million for the year ended 31 December 2010, primarily attributable to financial incentive from the local government to support the growth of the Group recorded in 2011.

Marketing and promotion expenses

Marketing and promotion expenses for the year ended 31 December 2011 remained at a relatively low level of about 0.9% of the Group's revenue, represented an increase of 10 basis points from that of 2010 of about 0.8% of the Group's revenue. The increase was due to more marketing activities which took place in an attempt to obtain new contracts in the financial year under review.

Administrative expenses

Administrative expenses for the year ended 31 December 2011 also remained at a relatively low level of about 2.7% of the Group's revenue, represented an increase of 100 basis points from that of 2010 of about 1.7% of the Group's revenue. The increase was mainly attributable to the increase in office expenses, audit and professional fees and staff costs.

Financial Review (Continued)

Listing expenses

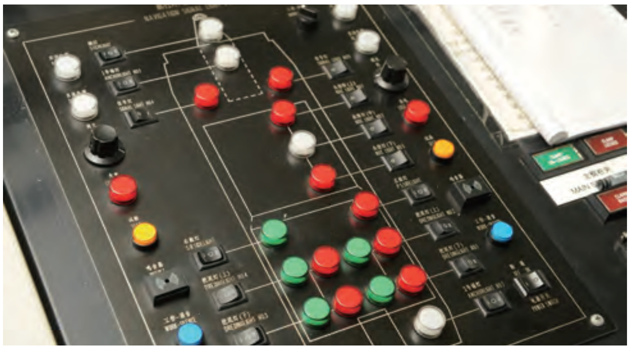
One-off expenses were incurred for the Listing, the activities in respect of which took place from 2010 to 2011.

Income tax expense

Due to the increase in profit before tax as a result of the strong growth in revenue, income tax expense for the year ended 31 December 2011 amounted to about RMB112.6 million, represented an increase of about RMB72.0 million from about RMB40.6 million in 2010.

Profit for the year and earnings per share

Consolidated net profit of the Group for the year ended 31 December 2011 was about RMB303.2 million, representing an increase of about RMB208.2 million from about RMB95.0 million in the year ended 31 December 2010. Should the one-off listing expenses be excluded, the consolidated net profit of the Group for the year ended 31 December 2011 would be approximately RMB315.0 million.



Earnings per share is calculated based on profit for the year divided by the weighted average number of Shares. For the purpose of calculating basic earnings per share, the weighted average number of Shares for 2010 was calculated as if the Capitalisation Issue (as defined in the consolidated statement of changes in equity in this annual report) had taken place at the beginning of that year. Furthermore, it also took into account the capital injection made by Mr. Liu, the controlling shareholder (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company, to the Group in the second half of 2010 (details of which are set out in the Company's prospectus dated 8 June 2011 (the "Prospectus")).

The increase in the earnings per share was due to the strong growth in net profit for the year of 2011.

Related party transactions

Details of continuing connected transactions under Chapter 14A of the Listing Rules are set out in "Continuing Connected Transactions" section in the report of the directors. Save for the above and those steps taken out during the group reorganisation as set out in note 2 to the financial statements, the related party transactions as disclosed in note 25 to the financial statements are either exempted connected transactions or do not constitute connected transactions. Details of such related party transactions are set out in note 25 to the financial statements. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules during the year under review.

Liquidity and Financial Resources Review

Financial position

The Group has remained at healthy financial resource levels. As at 31 December 2011, the total equity of the Group amounted to about RMB1,230.0 million (2010: RMB436.2 million) and the Group's net current assets amounted to about RMB399.1 million (2010: RMB59.6 million). The current ratio (current assets to current liabilities) as at 31 December 2011 was 2.2 (2010: 1.3).

Liquidity resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs 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 as at 31 December 2011 totalling about RMB125.8 million (2010: RMB12.5 million). The increase in amount of overdue receivables as at 31 December 2011 did not cause significant impact on the Group's healthy liquidity status. Total liabilities of the Group as at 31 December 2011 were about RMB334.9 million (2010: RMB233.3 million). Out of these liabilities, total bank borrowings as at 31 December 2011 were about RMB25.0 million (2010: RMB40.0 million), and these were mainly used to finance the Group's working capital and other general corporate purposes. Such borrowings are at variable rates and denominated in Renminbi. All bank borrowings will mature within one year.

During the year under review, the Group has financed its operation by revenue generated from its operation, proceeds from the Listing, bank borrowings and other resources. The gearing ratio (which is calculated by the Group's bank borrowings divided by total assets) of the Group as at 31 December 2011 was about 1.6% (2010: 6.0%). The decrease was mainly due to decrease in bank borrowings during the year. The Group considers its financial leverage is reasonable.

Listing proceeds

As of 20 June 2011, 200,000,000 new Shares were issued at HK$3.19 per Share, resulting in proceeds from Listing which amounted to HK$638 million. Net proceeds received by the Company after deducting Listing commission amounted to approximately HK$608 million. Net proceeds after payment of all expenses related to Listing was about HK$579 million (RMB468.3 million). The net proceeds were partially applied up to 31 December 2011 and in line with the proposed applications set out in the Prospectus, as follows:

– approximately RMB326.6 million was used for the purchase of dredgers and dredging equipment;

– approximately RMB9.7 million was used for the improvement of existing equipment and machinery of dredgers;

– approximately RMB10.0 million was used for supporting the expansion of the Group's business including the setting up of new project offices and computerisation of management information system; and

– approximately RMB46.8 million was used for additional working capital.

Liquidity and Financial Resources Review (Continued)

Listing proceeds (Continued)

The unutilised proceeds are deposited with licensed banks and financial institutions in Hong Kong and the PRC as interest-bearing deposits.

As disclosed in the Prospectus, the Company planned to apply about 80% of the net Listing proceeds for the purchase of dredgers and dredging equipment and 7% of the net Listing proceeds for the improvement of its dredging equipments. The Group then designated about RMB374.6 million for the acquisition of two dredgers and certain dredging equipment.

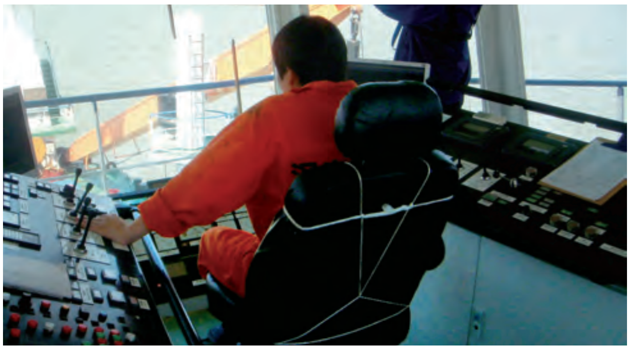
During the period from 20 June 2011 (the date on which the Shares were listed on the Stock Exchange) to 31 December 2011, the Group acquired two dredgers at the aggregate purchase prices of about RMB341.5 million. Further, the Group has planned for improvement on the dredgers purchased, and the dredgers so purchased was in better condition as expected and lower costs were incurred. In addition, for some dredging equipments which were planned to be purchased by way of import, the Group (after reaching further agreement with a Swiss dredging equipment-manufacturer, which entered into an exclusive strategic alliance agreement with the Group as disclosed in the Company's announcement dated 1 August 2011) was authorised to manufacture such dredging equipments in the PRC at a lower cost. As a result, savings in the sum of about RMB60 million is expected to arise, as compared with the original budget.

The Board is now considering to allocate such savings to other uses to the benefit of the Group, and will make further disclosure of its detailed plan in future report(s) or announcement(s).

Valuation of properties

For the purpose of Listing of the Company's Shares on the Main Board of the Stock Exchange in June 2011, a valuation was conducted on the property interest held by the Group. However, this property interest was still carried at historical cost less accumulated depreciation and impairment, if any, on the Group's financial statements.

By reference to the property valuation set out in Appendix IV to the Prospectus, a revaluation surplus of approximately RMB2 million was recorded in respect of the property interests of the Group as at 30 April 2011. Were the property stated at that valuation, the depreciation charge per year would have increased by approximately RMB40,000.



Liquidity and Financial Resources Review (Continued)

Charge over assets of the Group

As at 31 December 2011, there were no charge over the assets of the Group save for those created between Jiangsu Xingyu and Xiangyu PRC, being (or being treated as) wholly-owned subsidiaries of the Company (taking into account the Contractual Arrangements).

Financial management policies

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

During the year, net proceeds from the Listing of about RMB468.3 million was received by the Company. As the exchange rate used in recording the Listing proceeds in the Company's share capital and the actual exchange rate of utilising such amount as investment in the Company's subsidiaries are different, net exchange losses of about RMB10.4 million was incurred for the year ended 31 December 2011. The above exchange losses are considered to be non-recurring in nature. As most of the Group's trading transactions, monetary assets and liabilities are denominated mainly in Renminbi (save for certain bank balances in United States dollars and Hong Kong dollars), which is the Group's operating and also reporting currency. As at the end of each reporting period, no related hedges were made by the Group.

With the current interest rates staying 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.

As for credit risk, the Group continues its policy of only trading with customers with high creditability. In addition, the Group will continue to monitor closely the trade debtors to minimise potential impairment losses.

As for liquidity risk, the Group will continue to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. With the successful Listing of the Shares on 20 June 2011, the Group's liquidity position was enhanced and the Group will be in a better position to carry out its development plan at a pace relatively quicker than before.

As for fair value, the Group considers that carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Liquidity and Financial Resources Review (Continued)

Capital commitments and contingent liabilities

Save for the conditional acquisitions of Jiangsu Jiaolong Salvage Harbour Engineering Co. Ltd* (江蘇蛟龍打撈航務工程有限公司) ("Jiangsu Jiaolong Salvage") (details of which are set out in the Company's announcements dated 19 September 2011, 3 January 2012 and 24 February 2012, respectively), as at 31 December 2011, the Group did not have significant capital commitments committed but not provided for (2010: RMB0.1 million in respect of office renovation).

As at 31 December 2011 and 2010, the Group did not have any material contingent liability.

Business Review

Overview

During the year, attributable to capital and reclamation dredging activities in the PRC, which led to increased demand for the Group's dredging services, the Group recorded a sparkling full year result as compared to 2010.

During the year, the Group achieved robustly in both financial and operational performance. For the capital and reclamation dredging projects, the Group remained as one of the most influential privately owned dredging contractors in the PRC. The Group continued to engage in several major dredging projects, including (1) Dalian Changxingdao Harbour project, (2) Tianjin Port project, (3) Jingtang Harbour project, and last but not least (4) Yandu Rivers project, one of the major projects in our Environmental Protection Dredging and Water Management Business. These dredging projects have contributed to a significant portion of the Group's total revenue, and are expected to have continual contribution to the Group's future business.

On the other hand, the Group acquired two cutter suction dredgers with an aggregate consideration of around RMB342 million that boost the Group's capacity to cope with its back-log orders on hand.

On 25 July 2011, the Group entered into an agreement with a Swiss equipment supplier for the establishment of an exclusive strategic alliance for a term of five years. Under the agreement, the Group is appointed as the exclusive agent/distributor of the equipment supplier in certain Asian territories, including the PRC for a series of de-watering and sludge processing equipment. Such equipment includes the world's first container-size mobile autonomous sludge processor. By entering into such alliance, the Group could effectively secure the availability of the de-hydration technology bring along with this equipment in the PRC exclusively.

On 19 September 2011, the Group entered into a series of agreements with independent third parties for the purpose of conditionally acquiring an effective 51% equity interest in Jiangsu Jiaolong Salvage. Jiangsu Jiaolong Salvage is principally engaged in the business of salvaging sunk objects and contractor of provision of engineering services for ports and channels and is recognised as one of the leading enterprises among domestic peers in the PRC by China Diving and Salvage Industry Association* (中國潛水打撈行業協會). The acquisition would not only enable the Group to create synergy to its existing business, but also broadening the Group's income stream as well as customer base.

* *For identification purpose only*

Business Review (Continued)

Material acquisitions and disposals

Apart from the acquisitions of dredgers and Jiangsu Jiaolong Salvage mentioned in the paragraphs above and those disclosed in the Prospectus, there were no other material acquisitions or disposals of any subsidiaries, associates or joint ventures of the Group during the year ended 31 December 2011.

Event after the reporting period

As announced by the Company on 24 February 2012, completion of the acquisition of an effective 51% equity interest in Jiangsu Jiaolong Salvage took place on 20 February 2012.

Outlook

Looking forward, the Group sees huge demand in the dredging industry in the PRC. There is an exponential growth in international trading activities in the PRC in recent years and coastal and inland river ports throughputs have also increased significantly. As one of the integral parts of port investments, the dredging industry is set to benefit substantially from the industry boom in the next five years and the Capital and Reclamation Dredging Business is expected to experience growth in this respect.

For the Environmental Protection Dredging and Water Management Business, according to the Ministry of Water Resources, there will be extensive investments in the next ten years in water resources and related projects, where the Group is expected to gain further business. We expect the proportion would keep increasing as an important global trend.

For the Dredging Related Construction Business, the Group will continue to seek contracts in this segment that offer reasonable returns to the Group.

The financial results we have achieved reflect both an increase in demand from the PRC dredging market and the effective implementation of our overall business strategy. This strategy is to ensure a continuing focus on the enhancement of the Group's Capital and Reclamation Dredging Business, accompanied by the target market of environmental protection dredging and water management sector in the PRC.

Employees and Remuneration Policy

As at 31 December 2011, the Group had a workforce of 211 employees (2010: 184). The Group's remuneration policy is basically determined by the performance of individual employees and the Directors and the market conditions. In addition to salaries and discretionary bonuses, employee benefits included pension contributions and share option scheme (the share option that could be granted to independent non-executive Directors are subject to the independence restriction as set out in the Listing Rules).

During the period under review, the Group did not experience any strikes, work stoppages or significant labor disputes which affected its operations in the past and it did not experience any significant difficulties in recruiting and retaining qualified staff.

Directors' and Senior Management's Profile

Executive Directors

Mr. Liu Kaijin (劉開進), aged 51, the founder of the Group, was appointed as a Director on 31 May 2010, and was re-designated as an executive Director and chief executive officer on 24 May 2011. Mr. Liu is further appointed as the joint chairman of the Board on 5 March 2012. Mr. Liu is the spouse of Ms. Zhou, an executive Director.

Mr. Liu completed his secondary education in 1977. In 2003, Mr. Liu obtained a certificate as a senior construction engineer from the Human Resources Bureau of Yancheng City* (鹽城市人事局). Mr. Liu worked in the dredging industry of the PRC for approximately 20 years. As his experience and knowledge in the PRC dredging business grew, Mr. Liu established Jiangsu Xingyu in 2007. He is the chairman of Jiangsu Xingyu and the chairman and general manager of Xiangyu PRC and Xiangyu Water Management; and has been responsible for overseeing their daily operations and planning their business strategies. Jiangsu Xingyu, Xiangyu PRC and Xiangyu Water Management are subsidiaries of the Company. He is currently a director of each of the subsidiaries of the Company.

Mr. Liu is a member of the 6th session of the committee of the Chinese People's Political Consultative Conference of Yancheng City, Jiangsu Province* (中國人民政治協商會議江蘇省鹽城市第六屆委員會) and a member of the 14th session of the People's Congress of Yandu District, Yancheng City* (鹽城市鹽都區第十四屆人民代表大會代表).

Ms. Zhou Shuhua (周淑華), aged 49, was appointed a Director on 18 August 2010 and re-designated as an executive Director on 24 May 2011. She is also a director of Jiangsu Xingyu since its incorporation in 2007. She is mainly responsible for general administrative work of our Group. Ms. Zhou is the spouse of Mr. Liu, joint chairman of the Board, an executive Director and chief executive officer of the Group.

Ms. Zhou graduated from The Correspondence Institute of the Party School of the Central Committee of the Communist Party of China* (中共中央黨校函授學院), the PRC in December 1999 and obtained a graduation certificate for undergraduate courses in administrative management. She also obtained a graduation certificate for undergraduate courses in broadcasting in May 2001 from Nanjing Normal University* (南京師範大學), the PRC.

Non-executive Director

Mr. Dong Liyong (董立勇), aged 40. He joined the Group as a non-executive Director and the Company's chairman on 24 May 2011. He is also the chairman of the Company's remuneration committee and nomination committee and also the director of several subsidiaries of the Company. Since Mr. Liu's appointment as joint chairman of the Board on 5 March 2012, Mr. Dong remains as joint chairman and mainly responsible to ensure the Board works effectively.

Mr. Dong graduated from the Renmin University of China* (中國人民大學), Beijing, the PRC in 1995 with a bachelor's degree in economics, majoring in marketing. In May 2005, Mr. Dong obtained a master's degree in business administration from the Haas School of Business, University of California, Berkeley. Mr. Dong has extensive experience in corporate strategy formulation and execution, investor relations and corporate finance. He has been awarded the Excellence in Achievement of World Chinese Youth Entrepreneurs in 2008 jointly issued by Yazhou Zhoukan (亞洲週刊) and the World Federation of Chinese Entrepreneurs Organization (世界華商組織聯盟).

Mr. Dong is also the executive director, vice chairman of the board of directors and chief executive officer of Yue Da Mining Holdings Limited, a company listed on the Stock Exchange (stock code: 629).

*   *For identification purpose only*

Independent Non-executive Directors

Ms. Leung Mei Han (梁美嫻), aged 53, was appointed as an independent non-executive Director on 24 May 2011. She is the chairman of the Company's audit committee and a member of each of the Company's remuneration committee and nomination committee.

Ms. Leung graduated from the University of Queensland, Australia, with a bachelor degree in Commerce in February 1982. She is a fellow member of CPA Australia. Ms. Leung has extensive experience in accounting, securities, corporate finance and related areas. She has been providing corporate finance advisory services for securities and international merger and acquisition transactions.

Since 2007, Ms. Leung has been the chairman and director of Optima Capital Limited (a firm of corporate finance advisers and a licensed corporation under the Securities and Futures Ordinance (the "SFO"). Ms. Leung is an executive director of AMCO United Holding Limited (formerly known as Guojin Resources Holdings Limited, a company listed on the Stock Exchange, stock code: 630). She is also an independent non-executive director of each of the following companies, the shares of which are listed on the Stock Exchange: Yue Da Mining Holdings Limited (stock code: 629), Bossini International Holdings Limited (stock code: 592) and Four Seas Mercantile Holdings Limited (stock code 374).

Mr. Zhang Jun (張駿), aged 58, was appointed as an independent non-executive Director on 24 May 2011. He is also a member of the Company's audit committee.

Mr. Zhang received his tertiary education in leader and cadre correspondence course at the Party School of the Central Committee of the Communist Party of China* (中共中央黨校), the PRC from 1992 to 1994. Since 1981, Mr. Zhang has participated in various activities in relation to development for the youth and providing leading role in various divisions of the Chinese Communist Youth League* (中國共產主義青年團).

Mr. Zhang was the deputy head and head of the office of, a representative of the Tokyo office, and the deputy director of the international liaison department of Central Committee (團中央國際聯絡部辦公室副主任及主任、駐東京代表處代表及國際聯絡部副部長); deputy director and director of the general office of Central Committee and deputy party secretary of a direct subordinate of Central Committee (團中央辦公廳副主任及主任兼團中央直屬機關黨委副書記); a member of the 13th and 14th standing committee of Central Committee of the Chinese Communist Youth League (第十三及十四屆中國共產主義青年團團中央常委); a member of the committee of the 7th All-China Youth Federation (第七屆全國青聯委員), a member of the standing committee of the 8th All-China Youth Federation (第八屆全國青聯常委), and the chairman of the 1st, 2nd, 3rd and 4th sessions of the board of directors of China CYTS Tours Holding Co. Ltd. (中青旅控股股份有限公司).

Mr. Zhang is currently a member of the 11th session of the National Committee of the Chinese People's Political Consultative Conference (第十一屆中國人民政治協商會議全國委員會委員) and the general manager and party secretary of the Head Office of China Youth Travel Service (中國青年旅行社總社, now known as China Youth Travel Group Limited (中國青旅集團公司)). Mr. Zhang is the chairman and legal representative of China CYTS Tours Holding Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600138).

* *For identification purpose only*

Independent Non-executive Directors (Continued)

Ms. Peng Cuihong (彭翠紅), aged 65, was appointed as an independent non-executive Director on 24 May 2011. She is a member of the Company's audit committee, remuneration committee and nomination committee.

Ms. Peng graduated from Shanghai Maritime University (上海海事大學) (formerly known as Shanghai Maritime Institute (上海海運學院)) and obtained a graduation certificate for undergraduate courses in marine transport economics in 1970. Ms. Peng worked at the Water Transportation Bureau of the Ministry of Communications (now Ministry of Transport) from 1975 to 2006. She was the director of the transportation management division and deputy director of the water transport department of the Ministry of Communication.

Ms. Peng has been engaged in the field of water transport and port management for approximately 30 years. She has conducted in-depth studies and research on the fundamental situation, legal system, development policies and management system of water transport and port of the developed countries such as the European countries and the United States for a considerable number of years. Ms. Peng has held, organised and participated in the drafting on laws, regulations and departmental rules of the PRC related to water transport and ports such as Regulations of the Administration of Water Transport*《水路運輸管理條例》and Port Law*《港口法》, and the reforming of the national port system.

Ms. Peng currently serves as the executive vice chairman of the China Pilot Association (中國引航協會) and the independent director of Zhanjiang Port (Group) Co., Ltd. (湛江港(集團)股份有限公司), a joint stock company incorporated in the PRC.

Senior Management

Mr. Wang Julin (王菊林), aged 60, is responsible for the management of the engineering department of Jiangyu Xingyu.

Mr. Wang studied the profession of ports and waterways at Hohai University (河海大學) of the PRC (formerly known as East China Technical University of Water Resources (華東水利學院)) from 1974 to 1978. He was awarded the Certificate of Senior Engineer in waterways engineering by the Ministry of Communications (now Ministry of Transport) in 1998 and was awarded the Certificate of Registration of Constructor of First Class by the Ministry of Construction in 2008.

Mr. Wang has over 30 years of experience in the implementation, management and administration of waterways engineering. He joined the Group as the chief engineer in August 2010. Before that he worked for the engineering department of CWWEC for about 15 years and has held the positions of officer and project manager. He has been responsible for projects such as Huanghua Port, Wuhan Port, Shenzhen Yantian Port, 30,000 tonnes grade waterways dredging project of Guangdong Maoming Petrochemical Corporation. Thereafter, Mr. Wang worked in a subsidiary under CWWEC as a manager for about three years and has been responsible for projects such as 20,000 tonnes grade waterways dredging project of Zhuhai Gaolan Port, reclamation project of Waisha Island in Beihai City, dredging project of Humen anchorage and Jiuzhou Port. In 1996, Mr. Wang re-joined CWWEC for about eight years and has held the positions of deputy chief and chief of the engineering and business department and deputy chief engineer (constructor of first class). He has been responsible for the inspection, negotiation and overseeing of various projects and entering into relevant contracts.

* *For identification purpose only*

Senior Management (Continued)

Mr. Huang Jianwei (黃建偉), aged 48, is a senior project manager of the Group's capital and reclamation dredging division. Mr. Huang joined the Group in November 2008 as a project manager of Jiangsu Xingyu. Mr. Huang was appointed as a director of Jiangsu Xingyu in December 2010. Prior to joining the Group, Mr. Huang was a project manager of various PRC dredging companies and has about 10 years of experience in the operation and management of dredging projects.

He has been responsible for the Group's dredging business. He was also responsible for the operation and management of various dredging projects including the reclamation project of Jidong Oilfield on Island 5 of the Caofeidian Industrial Area, the reclamation project of Haiyu Saltern of the Coastal Defence Bureau of Qingdao City and the dredging project of the public channel on Dalian Changxingdao.

Mr. Lee Chih Chiang, Michael (李志強), aged 62, joined the Group in April 2011 as the Group's senior project manager of the environmental protection dredging division. Mr. Lee obtained a master of science degree in multinational operations management in 1979 from the West Coast University, Los Angeles, the United States. Mr. Lee has received water treatment training organised by the National Taipei University of Technology (formerly known as National Taipei Institute of Technology) and the Foundation of Taiwan Industry Service.

Mr. Lee has been engaged in the environmental protection dredging, operation and maintenance for about 20 years. Before joining the Group, Mr. Lee has worked as a manager or a chief engineer with several water treatment and environmental protection dredging companies in Taiwan and the PRC.

Ms. Elsie Wong (黃愛詩), aged 42, joined the Group in May 2010 and is the Company's joint chief financial officer and company secretary. She is responsible for the overall financial compliance and company secretarial matters of the Group.

Ms. Wong graduated from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) with a bachelor degree of arts majoring in Accountancy in 1991. Prior to joining the Group, Ms. Wong, as a practising certified public accountant, provides auditing and accounting related services including company secretarial services. She worked in the assurance and advisory business services department of an international accounting firm for over nine years.

Ms. Wong is a practising certified public accountant in Hong Kong, a member of the Hong Kong Institution of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants.

Mr. Xu Wenyue (徐文躍), aged 40, joined the Group in October 2011 as the joint chief financial officer. He is responsible for the accounting and financial matters of the Company and its subsidiaries.

Mr. Xu graduated from the profession of accounting of Nanjing Economic Institute* (南京經濟學院) in 1999. Mr. Xu is a senior accountant in the PRC (中國高級會計師), a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) and a member of the China Certified Tax Agents Association (中國註冊稅務師協會). Prior to joining the Group, Mr. Xu worked in a listed group in Hong Kong as a financial controller.

* *For identification purpose only*

Senior Management (Continued)

Ms. Ding Jiying (丁繼穎), aged 37, joined the Group in December 2011 as the internal control officer. She is responsible for overseeing the internal control matters of the Group.

Ms. Ding passed the examination of the PRC Accountant Examination (Intermediate level)* (全國中級會計師考試) and Nanjing University of Finance and Economics* (南京財經大學) in 2000 and 2007, respectively, and awarded the bachelor of management. She is qualified as a PRC Certified Accountant* (全國註冊會計師) and China Real Estate Appraisers* (全國註冊房地產估價師).

Ms. Ding has about eight years' experience in accounting, financial and internal control aspects. Prior to joining the Group, she has worked in certain sizeable enterprises as financial manager and also worked in the auditing and business consulting division of a PRC accounting firm, mainly responsible for internal control review engagements.

* *For identification purpose only*

Corporate Governance Report

Corporate Governance Practices

The Group's corporate governance framework bases on two main beliefs:

- We are well-committed to maintain good corporate governance practices and procedures; and

- We recognise the need to adopt practices that improve ourselves continuously for a qualify management.

We have applied the principles and adopted all code provisions, where applicable, of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules on the Stock Exchange as our own code of corporate governance. The Directors consider that since the Listing of the Shares on the Main Board of the Stock Exchange on 20 June 2011 and up to 31 December 2011 (the "Review Period"), the Company has complied with all the code provisions as set out in the CG Code.

The Company has further adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. In response to specific enquiry made by the Company, save for the Group's re-organisation disclosed elsewhere in this annual report, each of the Directors gave confirmation that he/she complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the Review Period.

We believe through the operation of an effective board, sound internal controls, and accountability to shareholders, we are able to maximise the value of all Shareholders. The following summarised the corporate governance practices adopted and observed by the Group during the Review Period.

Board Composition

The Company was incorporated on 31 May 2010 with two Directors, Mr. Liu and Ms. Zhou. To prepare for the Listing of its Shares on the Stock Exchange, improving corporate governance and to add further skills and experience that are appropriate for the requirements of the Group's business, changes in the Board composition were taken place on 24 May 2011. As at 31 December 2011 and as at the date of this annual report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors.

We believe that we have a balanced composition of executive Directors, non-executive Director and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement. During the Review Period, the Company has three independent non-executive Directors for providing the Group with adequate checks and balances. Each of them is considered independent and has complied with the provisions set out in Rule 3.13 of the Listing Rules. All of them are identified as such in all communications that disclose the names of the Directors. Their functions are not only limited to a restricted scope and they have contributed to the Group with diversified industry expertise, and advised on the Group's management and proceedings.

Out of the three independent non-executive Directors, one of them, namely Ms. Leung Mei Han, has appropriate professional qualifications or accounting or related financial management expertise.

Board Composition (Continued)

The Board as at 31 December 2011 and up to date of this annual report comprised:

Executive Directors:

Mr. Liu Kaijin*	Appointed as a Director on 31 May 2010 and re-designated as an executive Director and the Company's chief executive officer on 24 May 2011
Ms. Zhou Shuhua	Appointed as a Director on 18 August 2010 and re-designated as an executive Director on 24 May 2011

Non-executive Director:

Mr. Dong Liyong*	Appointed as a non-executive Director and the chairman of the Company on 24 May 2011

Independent non-executive Directors:

Ms. Leung Mei Han	Appointed as an independent non-executive Director on 24 May 2011
Mr. Zhang Jun	Appointed as an independent non-executive Director on 24 May 2011
Ms. Peng Cuihong	Appointed as an independent non-executive Director on 24 May 2011

* Mr. Liu Kaijin was appointed as a joint chairman of the Company on 5 March 2012 and Mr. Dong Liyong also remains as a joint chairman.

The biographical details of the Directors and the relationships among them are set out in the "Directors' and Senior Management's Profile" section of this annual report.

Board Meetings

The Group adopted the practice of holding Board meetings for executive Directors regularly and holding Board meetings that included both executive Directors and non-executive Directors at least four times every year. The Board will also meet on other occasions when a board-level decision on a particular matter is required.

Generally, at least 14-days' notice for the Company's regular Board meeting, and reasonable time for all other meetings, would be given prior to such meetings. The Directors will receive details of agenda items for decision at least three days before regular Board meetings.

In order to ensure that Board procedures, and all applicable rules and regulations are followed, all Directors are able to access the Company's company secretary for advice. Moreover, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances at the Company's expense. All Directors were given an opportunity to include matters in the agenda of meetings for discussion. Agenda for the meeting are sent to all Directors prior to the meeting.

Board Meetings (Continued)

To ensure a competent Board operation, all Directors gave sufficient time and attention to the affairs of the Group during the Review Period. During the Review Period, five Board meetings (excluding committee meetings) were held and attendance of each Director is set out as follows:

Name of Director	Number of attendance	Number of Meetings held during term of office
Mr. Liu Kaijin	5	5
Ms. Zhou Shuhua	4	5
Mr. Dong Liyong	3#	5
	(excluded one at which he was required to abstain from voting)	
Ms. Leung Mei Han	4#	5
	(excluded one at which she was required to abstain from voting)	
Mr. Zhang Jun	3	5
Ms. Peng Cuihong	5	5
	(included one joined by proxy)	

The Director(s) who have a conflict or potential conflict of interest in a matter considered to be material are dealt with by way of a Board meeting and the independent non-executive Directors who have no material interest in the transaction present at this Board meeting would determine the resolutions put forward to the Board.

Minutes of Board meetings and meetings of Board committees are kept by the Company's company secretary or other duly authorised person during the meeting. All minutes are open for inspection by any Director on reasonable notice. Such minutes are recorded in sufficient detail of the matters considered and decisions reached. Draft and final versions of minutes of Board meetings are sent to all Directors for their comment and records, respectively.

Appointments, Re-election and Removal of Directors

Each of the executive Directors is engaged on a Director's service contract with the Company. The letter of appointment of non-executive Director and independent non-executive Directors set out the specific terms and conditions relative to their appointment. Details of the term of appointment of the Directors are disclosed in the section "Directors' Service Contracts" of the Report of the Directors in this annual report.

Pursuant to the Company's articles of association ("Articles of Association"), any Director appointed by the Board either to fill a casual vacancy shall hold office until the next following general meeting of the Company and shall then be eligible for re-election. At each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including the non-executive Director and independent non-executive Directors) shall be subject to retirement by rotation at least once every three years.

Every newly appointed Director is provided with a comprehensive, formal and tailored induction on the first occasion of his/her appointment, and regular updates of the Listing Rules are provided to all Directors.

Chairman and Chief Executive Officer

During the Review Period, Mr. Dong Liyong has been acting as the Chairman of the Company since 24 May 2011, who is responsible for the management of the Board and Mr. Liu Kaijin, the chief executive officer of the Company, is responsible for the day-to-day management of the Group's business. Their roles were clearly defined and segregated to ensure balanced power and responsibilities. Subsequent to the year-end, on 5 March 2012, Mr. Liu Kaijin was appointed as joint chairman of the Company who remains to oversee the Group's business operations while Mr. Dong Liyong remains as joint chairman to ensure effective operation of the Board.

Delegation by the Board

The Company has set out the respective functions and responsibilities reserved to the Board and those delegated to management or Board committees. The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for its approval. Board committees for specific functions are also set up to ensure efficient Board operations.

The Board is responsible for the approval and monitoring of the Company's overall strategies and policies, approval of business plans, evaluating the performance of the Company and overseeing the management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. Decisions of the Board are communicated to the management through executive Directors who have attended the Board meetings.

Remuneration Committee

The Company has set up a remuneration committee ("Remuneration Committee") with specific terms of reference with appropriate modification when necessary, which state clearly its authority and duties. It advises the Board on the remuneration of the Directors and senior management of the Group.

As at 31 December 2011, a majority of the Remuneration Committee's members are independent non-executive Directors. During the Review Period, one committee meeting was held and attendance of each member is set out as follows:

Name of Director	Number of attendance	Number of meetings held during term of office
Mr. Dong Liyong *(Chairman)*	1	1
Ms. Leung Mei Han	1	1
Ms. Peng Cuihong	1	1

The service contracts and appointment letters for the Directors (as the case may be) were approved by the Board in May 2011 before the Listing of the Shares. The Remuneration Committee reviewed the remuneration policies and no change to the terms therein was proposed to the Board by the Remuneration Committee.

The Company has also adopted a share option scheme as an incentive to the Directors and the senior management. The Remuneration Committee conducts regular review of the remuneration policy and structure of the Directors and senior management which will take into account the prevailing market condition and the responsibility of individual members.

Nomination Committee

The Company has set up a nomination committee (the "Nomination Committee") with specific terms of reference with appropriate modification when necessary, which state clearly its authority and duties. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors based on the criteria such as reputation for integrity, accomplishment and experience in the relevant sector, professional and educational background, and potential time commitments. An external recruitment agency may be engaged to carry out the recruitment and selection process where necessary.

As at 31 December 2011, the Nomination Committee comprised Mr. Dong Liyong (chairman), and Ms. Leung Mei Han and Ms. Peng Cuihong. No meeting has been held by the Nomination Committee for the period from the date of Listing to 31 December 2011. The Nomination Committee considers that it is not necessary to review the size and composition of the Board and identify any new Board member for the period from the date of Listing date to 31 December 2011.

Audit Committee

The Company has established an audit committee ("Audit Committee") with specific written terms of reference that have included the duties which are set out in CG Code provision C3.3 with appropriate modification when necessary.

The major role and function of the Audit Committee are to ensure the maintenance of proper relationship with the Company's auditor, the establishment of proper review and control arrangements relating to internal control systems, financial reporting and the compliance to applicable reporting requirements.

As at 31 December 2011, the Audit Committee comprised three independent non-executive Directors who held one meeting and attendance of each member is set out as follows:

Name of Director	Number of attendance	Number of meetings held during term of office
Ms. Leung Mei Han *(Chairman)*	1	1
Mr. Zhang Jun	1	1
Ms. Peng Cuihong	1	1

The Audit Committee reviewed the consolidated financial statements for the six months ended 30 June 2011 and consolidated financial statements for the year ended 31 December 2011, including the Group's adopted accounting principles and practices, internal control systems and financial reporting matters (in conjunction with the external auditor for the annual results). The Audit Committee endorsed the accounting treatments adopted by the Company and, to the best of its ability assured itself that the disclosures of the financial information in this annual report comply with the applicable accounting standards and Appendix 16 of the Listing Rules.

Auditor's Remuneration

An analysis of remuneration in respect of audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended 31 December 2011 is as follows:

Name of Service	Fee (RMB'000)
Acting as the reporting accountant	714
Taxation advisory	122
Review of continuing connected transaction	227

Financial Reporting

The Directors acknowledged their responsibility for preparing the financial statements of the Company and the Group in accordance with the requirements of the Listing Rules and applicable statutory requirements and accounting standards. The Group had adopted the going concern basis in preparing its financial statements.

A statement by the external auditor of the Company about their reporting responsibilities is set out in the "Independent Auditor's Report" section in this annual report.

Internal Control

The Board is responsible for overseeing the Group's internal control systems and to ensure that sound and effective control systems are maintained. The Board approves and reviews internal control policies while day-to-day management of operational risks and implementation of mitigation measures lie with the management.

A review of the effectiveness of the Group's internal control systems has been conducted with the scopes recommended by the Audit Committee. The Audit Committee and the Board have reviewed the internal control report, and concluded that the key areas of the Group's internal control systems are reasonably and adequately implemented to their satisfaction, with room of improvement.

Investor Relations

The Company has disclosed all necessary information to the Shareholders in compliance with the Listing Rules. The Directors convene an annual general meeting each year to meet the Shareholders and answer to their enquiries.

The Company also communicates with its Shareholders through its annual report, interim report and statutory and voluntary announcements. The Directors, company secretary or other appropriate members of senior management, where appropriate, also respond to inquiries from Shareholders and investors on a timely basis.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2011.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 30 to the financial statements. Save for the commencement of a new segment of Environment Protection Dredging and Water Management Business, there were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and of the Group at that date are set out in the accompanying financial statements.

The Board does not recommend the payment of any dividend for the year ended 31 December 2011.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 20 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

Save for those set out in note 2 to the financial statements regarding the Group's reorganisation to rationalise the Group's structure to prepare for Listing of the Shares on the Stock Exchange, and the initial pubic offering in this annual report, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2011.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 December 2011, the Company has no reserve available for distribution as calculated in accordance with the Companies Law (2001 Revision) of the Cayman Islands. Under the laws of the Cayman Islands, the share premium account is distributable to the Shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the year under review, revenue to the Group's five largest customers accounted for about 98.6% of the Group's total revenue for the year and the revenue from the largest customer included therein accounted for about 43.0% of the Group's total revenue.

In the year under review, purchases and supplies from the Group's five largest suppliers accounted for about 65.8% of the Group's total operating cost for the year and purchases and supplies from the largest supplier included therein accounted for about 23.4% of the Group's total operating cost.

None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

Directors

The Directors who held office during the year and up to the date of this report were:

Executive Directors:

Mr. Liu Kaijin	(Appointed on 31 May 2010)
Ms. Zhou Shuhua	(Appointed on 18 August 2010)

Non-executive Director:

Mr. Dong Liyong	(Appointed on 24 May 2011)

Independent non-executive Directors:

Ms. Leung Mei Han	(Appointed on 24 May 2011)
Mr. Zhang Jun	(Appointed on 24 May 2011)
Ms. Peng Cuihong	(Appointed on 24 May 2011)

Directors (Continued)

In accordance with article 105(A) of the Articles of Association, Ms. Zhou Shuhua will retire by rotation and, being eligible, will offer herself for re-election at the forthcoming annual general meeting of the Company ("AGM").

Under the same article, Mr. Zhang Jun will retire from his directorship at the forthcoming AGM and, because of his work commitment, did not offer himself for re-election. The Board will identify and appoint a new independent non-executive Director in his place upon his retirement.

Independent Non-executive Directors' Independence Confirmations

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive Directors to be independent.

Directors' Service Contracts

Each of the executive Directors has entered into a Director's service contract and each of the non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from 24 May 2011.

All of them are subject to retirement by rotation and re-election in accordance with the Articles of Association.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Directors' Interests in Contracts

Save for those disclosed in the financial statements, no Director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Management Contracts

Save for the Contractual Arrangements between subsidiaries of the Group, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Continuing Connected Transactions

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year ended 31 December 2011:

On 19 April 2011, the following entities entered into the Contractual Arrangements pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu are transferred to Xiangyu PRC:

(i) Xiangyu PRC, a wholly foreign-owned enterprise and a wholly-owned subsidiary of the Company,

(ii) Jiangsu Xingyu, a limited company established in the PRC and a wholly-owned subsidiary of the Company, and

(iii) equity interests holders of Jiangsu Xingyu, namely Mr. Liu and Ms. Zhou (both of them are executive Directors and controlling shareholders of the Company).

Further details of which are described in note 2 to the financial statements.

The Stock Exchange has granted a waiver pursuant to Rule 14A.42(3) of the Listing Rules to the Company for all transactions under the Contractual Arrangements from strict compliance with the applicable announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors confirm that during the Review Period, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (save for the exemptions granted under the above-mentioned waiver). The independent non-executive Directors have confirmed that the above-mentioned continuing connected transactions were entered into:

(i) in the ordinary and usual course of the Group's business;

(ii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the Shareholders of the Company as a whole; and

(iii) either on normal commercial terms or on terms no less favorable to the Group than those available to or from independent third parties.

Besides, the independent non-executive Directors have conducted an annual review on the Contractual Arrangements and have confirmed that:

(i) the transactions carried out from the effective date of the Contractual Arrangements to 31 December 2011 have been entered into in accordance with the relevant provisions of the Contractual Arrangements and have been operated so that all revenue generated by Jiangsu Xingyu has been retained by Xiangyu PRC;

(ii) no dividends or other distributions have been made by Jiangsu Xingyu to its equity interest holders; and

(iii) any new contracts or renewed contracts have been entered into on the same terms as the existing Contractual Arrangements and are fair and reasonable so far as the Group is concerned and in the interests of the Shareholders as a whole.

Continuing Connected Transactions (Continued)

In accordance with Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform procedures on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor have confirmed that:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

b. nothing has come to the auditor's attention that causes the auditor to believe that the said transactions were not entered into in accordance with the relevant agreements governing such transactions; and

c. nothing has come to the auditor's attention that causes the auditor to believe that dividends or other distributions have been made by Jiangsu Xingyu to the holders of its equity interests.

Share Option Scheme

The Company has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company's share option scheme was approved by the Company's Shareholders on 24 May 2011 (the "Scheme"). It became effective for a period of 10 years commencing on the date on which the Scheme was adopted.

The Directors consider the Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Eligible participants of the Scheme include all Directors and employees of the Group, suppliers, customers, technical consultants who provide services to the Group, shareholders of the subsidiaries of the Group and joint venture partners, etc.

Under the Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary Shares at the highest of (i) the closing price of Shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Share. The offer of a grant of options may be accepted within 21 days from the date of the offer. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The exercise period of the options granted is determined by the Directors, and commences after a certain vesting period and ends in any event not later than 10 years from the respective date when the share options are granted, subject to the provisions for early termination thereof.

During the period from the effective date of the Scheme to 31 December 2011, no share option has been granted, expired, lapsed or exercised.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2011, the Directors and the Company's chief executives, and their respective associates had the following interests in the Shares in and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code, or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

Interests in the Company

			Long position	
Name of Director	**Capacity**	*Notes*	**Number of ordinary Shares**	**Approximate percentage of total number of Shares**
Mr. Liu Kaijin	Interest in controlled corporation	1	325,100,000	40.64%
Ms. Zhou Shuhua	Interest in spouse	1	325,100,000	40.64%
Mr. Dong Liyong	Interest in controlled corporation and beneficial owner	2	160,030,000	20.00%

Notes:

1. Mr. Liu is the sole beneficial owner of Wangji Limited ("Wangji"), a company incorporated in the British Virgin Islands with limited liability, which is the direct owner of 325,100,000 Shares. Mr. Liu's spouse is Ms. Zhou who is a Director. By virtue of the SFO, Ms. Zhou is deemed to be interested in such 325,100,000 Shares.

2. Mr Dong Liyong ("Mr. Dong") is the sole beneficial owner of Shen Wang Limited ("Shen Wang"), a company incorporated in the British Virgin Islands with limited liability, which is the direct owner of 160,020,000 Shares. Further, Mr. Dong is the beneficial owner of 10,000 Shares.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares (Continued)

Interests in associated corporations

Name of Director	Name of associated corporation	Capacity	*Notes*	Share capital	Approximate percentage of total number of shareholding
Mr. Liu Kaijin	Wangji	Beneficial owner	1	200 ordinary shares	100%
	Jiangsu Xingyu	Beneficial owner	1	Register capital of RMB39,315,800	100%
Ms. Zhou Shuhua	Wangji	Interest in spouse	2	200 ordinary shares	100%
	Jiangsu Xingyu	Interest in spouse	2	Register capital of RMB39,315,800	100%

Notes:

1. Mr. Liu is the sole beneficial owner of Wangji. His 100% shareholding interest in Wangji has been charged in favour of Apex Ally Investments Limited ("Apex Ally") and Hong Jun Investment Limited ("Hong Jun") as stated under the section "Pre-IPO Investments" in the Company's Prospectus. Mr. Liu is also the sole beneficial owner of the entire registered capital of Jiangsu Xingyu. Mr. Liu and Ms. Zhou are registered holders of 98.47% and 1.53% in the registered capital in Jiangsu Xingyu. The 1.53% interest in the registered capital of Jiangsu Xingyu were held on trust by Ms. Zhou for Mr. Liu pursuant to a shareholding confirmation dated 12 July 2010.

2. Ms. Zhou is the spouse of Mr. Liu who is a Director. By virtue of the SFO, Ms. Zhou is deemed to be interested in all interests of Mr. Liu in the associated corporations including long positions and short position.

Saved for those disclosed above, none of the Directors and chief executives of the Company or any of their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any associated corporation as at 31 December 2011 (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save for those disclosed in the sections "Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2011, other than the Directors' and the Company's chief executives' interests and short positions in the Shares in and underlying shares of the Company and associated corporations as recorded in the register required to be kept under Section 336 of the SFO, the following substantial Shareholders had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or otherwise notified to the Company and the Stock Exchange:

Interests in the Company

			Long position	
Name of the Shareholder	**Capacity**	*Notes*	**Number of ordinary Shares**	**Approximate percentage of total number of Shares**
Wangji	Beneficial owner		325,100,000	40.64%
Shen Wang	Beneficial owner	1	160,020,000	20.00%
Ms. Yang Yingying	Interest of spouse	1	160,030,000	20.00%
Hong Jun	Nominee for another person	2	69,000,000	8.63%
CCB International Asset Management Limited ("CCBI-AM")	Interest in controlled corporations	2	69,000,000	8.63%
CCB International Assets Management (Cayman) Limited ("CCBI-AMC")	Interest in controlled corporations	2	69,000,000	8.63%
CCB International (Holdings) Limited ("CCBI-H")	Beneficial owner	2	69,000,000	8.63%
CCB Financial Holdings Limited ("CCB-FH")	Interest in controlled corporations	2	69,000,000	8.63%
CCB International Group Holdings Limited ("CCBI-Gp")	Interest in controlled corporations	2	69,000,000	8.63%
China Construction Bank Corporation ("CCB")	Interest in controlled corporations	2	69,000,000	8.63%
Apex Ally	Beneficial owner	3	45,900,000	5.74%
ICBC International Investment Management Limited ("ICBCI-IM")	Interest in controlled corporations	3	45,900,000	5.74%
ICBC International Holdings Limited ("ICBCI-H")	Interest in controlled corporations	3	45,900,000	5.74%
Industrial Commercial Bank of China Limited ("ICBC")	Interest in controlled corporations	3	45,900,000	5.74%
Central Huijin Investment Ltd. ("Central Huijin")	Interest in controlled corporations	4	114,900,000	14.36%

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company (Continued)

Notes:

1. Mr. Dong is the sole beneficial owner of Shen Wang which is the direct owner of 160,020,000 Shares. He is also the beneficial owner of 10,000 Shares. Ms. Yang Yingying is the spouse of Mr. Dong. By virtue of the SFO, Ms. Yang Yingying is deemed to be interested in all interests of Mr. Dong in the Company including long position and short position.

2. Hong Jun is the registered holder of 69,000,000 Shares. Hong Jun is 100% owned by CCBI-AM, which is in turn 100% owned by CCBI-AMC. By virtue of the SFO, CCBI-AM and CCBI-AMC are deemed to be interested in the interests of the Company held by Hong Jun.

   CCBI-H is the beneficial owner of 69,000,000 Shares held under the name of Hong Jun. CCBI-H is 100% owned by CCB-FH, which is in turn 100% owned by CCBI-Gp. CCBI-Gp is 100% owned by CCB. By virtue of the SFO, CCB, CCBI-Gp and CCB-FH are deemed to be interested in the interests of the Company held by CCBI-H.

3. Apex Ally is the beneficial owner of 45,900,000 Shares. Apex Ally is 100% owned by ICBCI-IM which is in turn 100% owned by ICBCI-H. ICBCI-H is 100% owned by ICBC. By virtue of the SFO, ICBCI-IM, ICBCI-H and ICBC are deemed to be interested in the interests of the Company held by held by Apex Ally.

4. CCB and ICBC are 57.1% owned and 35.4% owned, respectively, by Central Huijin. By virtue of the SFO, Central Huijin is deemed to be interested in the interests of the Company held by CCB and ICBC as stated in note (2) and note (3) above.

Saved for those disclosed above, no person (other than Directors and the Company's chief executives whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above) had interest or short position in the Shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Directors' Interests in Competing Businesses

None of the Directors or the management of the Company or their respective associates (as defined under the Listing Rules) have any interests in a business which competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the year.

The Company has received from each of the Directors an annual confirmation of his/her undertaking as to non-competition.

Audit Committee

Prior to the Listing of its Shares on the Stock Exchange, the Company established the Audit Committee on 24 May 2011 which would formulate and from time to time amend its written terms of reference in accordance with the provisions set out in the CG Code.

The major roles and functions of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the auditor of the Group. Regular meetings would be held by the Audit Committee according to its term of reference. The Audit Committee held one meeting during the year under review.

Audit Committee (Continued)

The Audit Committee comprises three independent non-executive Directors of the Company.

The Group's audited financial statements for the year ended 31 December 2011 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

Remuneration Committee and Nomination Committee

The Remuneration Committee and Nomination Committee have been set up in accordance with Appendix 14 to the Listing Rules on 24 May 2011. Both committees comprises Mr. Dong Liyong, a non-executive Director, Ms. Leung Mei Han and Ms. Peng Cuihong, both of whom are independent non-executive Directors. Mr. Dong Liyong is the chairman of each of the Remuneration Committee and Nomination Committee.

Sufficiency of Public Float

As at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

Auditor

Deloitte Touche Tohmatsu retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Liu Kaijin
Joint chairman

Hong Kong, 23 March 2012

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF XIANGYU DREDGING HOLDINGS LIMITED
翔宇疏浚控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Xiangyu Dredging Holdings Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") set out on pages 40 to 87, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 23 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	6	**1,137,303**	374,883
Operating cost		**(708,760)**	(204,823)
Gross profit		**428,543**	170,060
Other income	7	**44,088**	26
Marketing and promotion expenses		**(9,914)**	(2,979)
Administrative expenses		**(30,321)**	(6,267)
Listing expenses		**(11,786)**	(21,531)
Finance costs	8	**(4,880)**	(3,640)
Profit before tax		**415,730**	135,669
Income tax expense	9	**(112,566)**	(40,639)
Consolidated net profit of the Group for the year and total comprehensive income for the year	10	**303,164**	95,030
Earnings per share	12		
— basic (RMB)		**0.43**	0.38

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**705,225**	376,300
Deposit paid for acquisition of property, plant and equipment		**150**	273
Trade receivables	15	**125,502**	—
		830,877	376,573
CURRENT ASSETS			
Trade and other receivables	15	**608,240**	280,440
Bank balances and cash	16	**125,788**	12,520
		734,028	292,960
CURRENT LIABILITIES			
Trade and other payables	17	**138,158**	127,678
Amounts due to directors	18	**60,321**	26,464
Tax payable		**111,445**	39,185
Bank borrowings	19	**25,000**	40,000
		334,924	233,327
NET CURRENT ASSETS		**399,104**	59,633
NET ASSETS		**1,229,981**	436,206
CAPITAL AND RESERVES			
Share capital/paid-in capital	20	**67,200**	39,451
Reserves		**1,162,781**	396,755
TOTAL EQUITY		**1,229,981**	436,206

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to shareholders of the Company					
	Share capital RMB'000	**Share premium** RMB'000	**PRC statutory reserve** RMB'000 *(note i)*	**Other reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000
At 1 January 2010 *(note ii)*	39,406	—	13,549	—	114,673	167,628
Profit and total comprehensive income for the year	—	—	—	—	95,030	95,030
Shares exchange between Power Wealth BVI and Power Wealth HK *(note iii)*	(22)	—	—	22	—	—
Issue of shares by Power Wealth BVI *(note iv)*	67	173,481	—	—	—	173,548
At 31 December 2010 *(note v)*	39,451	173,481	13,549	22	209,703	436,206
Profit and total comprehensive income for the year	—	—	—	—	303,164	303,164
Shares exchange between the Company and Power Wealth BVI *(note vi)*	8,265	(173,481)	—	165,216	—	—
Transfer of paid-in capital of PRC Operational Entity *(note vii)*	(39,316)	—	—	39,316	—	—
Issue of new shares through Global Offering *(note viii)*	16,800	519,120	—	—	—	535,920
Transaction costs attributable to issue of new shares	—	(45,309)	—	—	—	(45,309)
Capitalisation Issue *(note ix)*	42,000	(42,000)	—	—	—	—
At 31 December 2011	67,200	431,811	13,549	204,554	512,867	1,229,981

Notes:

(i) According to the rules and regulations in the People's Republic of China ("PRC"), a portion of the profit after taxation of the Company's PRC subsidiaries is required to be transferred to a statutory reserve before distribution of a dividend to their equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can be applied either to set off accumulated losses or to increase capital.

(ii) The balance of share capital at 1 January 2010 represents the paid-in capital of the PRC Operational Entity (as defined in note 30) of approximately RMB39,316,000 and the share capital of Power Wealth HK (as defined in note 30) of RMB90,000. Both companies were controlled by Mr. Liu (as defined in note 2).

(iii) On 30 June 2010, Mr. Liu transferred all the issued share capital of Power Wealth HK to Power Wealth BVI (as defined in note 30) in exchange for 9,999 new shares of US$1.00 each issued by Power Wealth BVI. The difference between the share capital exchanged was credited to other reserve.

(iv) On 18 September 2010, Power Wealth BVI further issued 10,000 new shares of US$1.00 each to Wangji (as defined in note 2), a company controlled by Mr. Liu, at a consideration of RMB173,548,000 to raise additional capital for the Group.

(v) The balance of share capital at 31 December 2010 represents the paid-in capital of the PRC Operational Entity and the share capital of Power Wealth BVI.

(vi) On 19 April 2011, the Company (a) issued a total of 99,000,000 new shares of HK$0.10 each to Wangji in exchange for the entire share capital of Power Wealth BVI and (b) credited as fully paid at par the 1,000,000 nil-paid shares then held by Wangji. The excess of the share capital and share premium of Power Wealth BVI over the nominal value of the shares issued by the Company was credited to other reserve.

(vii) Upon completion of the Reorganisation (as defined in note 2), the paid-in capital of the PRC Operational Entity was transferred to other reserve.

(viii) On 20 June 2011, the Company issued a total of 200,000,000 new shares of HK$0.10 each at an issue price of HK$3.19 per share pursuant to its prospectus dated 8 June 2011 (the "Global Offering"). The gross listing proceeds were HK$638,000,000 (approximately RMB535,920,000).

(ix) On 20 June 2011, the Company issued and allotted a total of 500,000,000 shares of HK$0.10 each to the shareholders whose names appeared on the Company's register of members on 24 May 2011 by capitalising an amount of HK$50,000,000 standing to the credit of the Company's share premium account which was created pursuant to the Global Offering (the "Capitalisation Issue").

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**415,730**	135,669
Adjustments for:		
Depreciation of property, plant and equipment	**25,796**	11,618
Finance costs	**4,880**	3,640
Bank interest income	**(974)**	(26)
Operating cash flows before movements in working capital	**445,432**	150,901
Decrease on rental deposits	**—**	3,000
Increase in trades and other receivables	**(453,302)**	(50,191)
Increase in trade and other payables	**11,846**	1,077
Cash generated from operations	**3,976**	104,787
PRC income tax paid	**(40,117)**	(29,124)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(36,141)**	75,663
INVESTING ACTIVITIES		
Interest received	**974**	26
Purchase of property, plant and equipment	**(354,448)**	(1,511)
Deposit paid for acquisition of property, plant and equipment	**(150)**	(273)
Advance to a director	**—**	(167,995)
Repayment from a director	**—**	78,307
NET CASH USED IN INVESTING ACTIVITIES	**(353,624)**	(91,446)
FINANCING ACTIVITIES		
Issue of ordinary shares by the Company	**535,920**	—
Transaction costs attributable to issue of new shares	**(45,309)**	—
New bank borrowings raised	**215,900**	40,000
Repayment of bank borrowings	**(230,900)**	(27,500)
Issue of shares by Power Wealth BVI	**—**	173,548
Advance from directors	**129,610**	65,237
Repayment to a director	**(97,308)**	(221,106)
Interest paid	**(4,880)**	(3,640)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**503,033**	26,539
NET INCREASE IN CASH AND CASH EQUIVALENTS	**113,268**	10,756
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**12,520**	1,764
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**125,788**	12,520

1. General

The Company was incorporated as an exempted company with limited liability under the Companies Law of Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its place of business in Hong Kong is located at Office 19, 36th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong. The shares of the Company ("Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 June 2011.

The Company acts as an investment holding company and the particulars of its subsidiaries are set out in note 30.

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

2. Reorganisation and Basis of Presentation of the Consolidated Financial Statements

For the purpose of listing the Shares on the Stock Exchange, the entities in the Group have undergone a series of reorganisation steps to rationalise the group structure (the "Reorganisation").

As part of the Reorganisation, the PRC Operational Entity (as defined in note 30), and its respective equity participants, being Mr. Liu Kaijin ("Mr. Liu"), Ms. Zhou Shuhua ("Ms. Zhou") and Xiangyu PRC (as defined in note 30) entered into a series of agreements (the "Contractual Agreements") on 19 April 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.

2. Reorganisation and Basis of Presentation of the Consolidated Financial Statements (Continued)

(i) Option Agreement (Continued)

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 or guarantee (other than those incurred in the ordinary course of business and disclosed to and approved by Xiangyu PRC in advance);

(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 19 April 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).

2. Reorganisation and Basis of Presentation of the Consolidated Financial Statements (Continued)

(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 authorise 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 of 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 was the ultimate beneficial owner of the PRC Operational Entity by virtue of the Proxy Agreement.

The term of the Proxy Agreement commenced on 19 April 2011 and will expire on 18 April 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. Xiangyu PRC reserves the right to identify the items of expenses to be included as related expenses when calculating the fees payable by PRC Operational Entity and is entitled to adjust the fee payable by PRC Operational Entity anytime based on the volume of service provided.

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 not less than 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.

2. Reorganisation and Basis of Presentation of the Consolidated Financial Statements (Continued)

(iii) Composite Services Agreement (Continued)

The term of the Composite Services Agreement commenced from 19 April 2011, and will expire on 18 April 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. Mr. Liu and Ms. Zhou are responsible to record the pledge of equity into the shareholders' register on the effective date of the Equity Pledge Agreement. PRC Operational Entity, Mr. Liu and Ms. Zhou are also responsible to register the pledge of equity in the State Administration for Industry and Commerce 10 days after the effective date of the Equity Pledge 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 19 April 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.

2. Reorganisation and Basis of Presentation of the Consolidated Financial Statements (Continued)

(v) Vessel Pledge Agreements (Continued)

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 ("Directors"), 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 (as defined in note 30) was incorporated on 17 May 2010 and one ordinary share having a par value of US$1.00 each was allotted and issued to Mr. Liu on 18 June 2010. Xiangyu PRC was established on 11 June 2010 as a wholly owned subsidiary of Power Wealth HK (as defined in note 30). On 30 June 2010, Power Wealth BVI acquired from Mr. Liu 100,000 shares of HK$1.00 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 18 August 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 ("Wangji"), a company wholly owned by himself. On 18 September 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 to raise additional capital for the Group. Through a share exchange as part of the Reorganisation which was completed on 19 April 2011 by interspersing the Company between Power Wealth BVI and Wangji, the Company became the holding company of the companies now comprising the Group on the same date.

As the 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 periods presented on a merger basis. The assets, liabilities and results of the PRC Operational Entity and Xiangyu PRC are included in the consolidated financial statements of the Group as if the Company had always been the parent of the PRC Operational Entity and Xiangyu PRC.

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement 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 periods presented or since their respective date of incorporation or establishment. The consolidated statement of financial position of the Group as at 31 December 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 that date.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

The Directors anticipated that the application of these new and revised HKFRs will not have material impact on the results and financial position of the Group.

4. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis and in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance. Historical cost is generally based on the fair value of the consideration given in exchange for goods. The significant accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree'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 consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

4. Significant Accounting Policies (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

Service income is recognised when services are provided.

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 the 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 (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for or a prospective basis.

An item of property, plant and equipment is derecognised 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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 recognised as an expense immediately in profit or loss.

4. Significant Accounting Policies (Continued)

Impairment of tangible assets (Continued)

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 recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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 lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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.

4. Significant Accounting Policies (Continued)

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 recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution schemes 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 plans 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 period. Taxable profit differs from the profit as reported in the consolidated 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 recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 utilised. Such assets and liabilities are not recognised 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 recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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.

4. Significant Accounting Policies (Continued)

Taxation (Continued)

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 realised 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. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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 amortised 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 recognised 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 and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables 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-organisation.

For certain categories of loans and receivables, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, 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 recognised 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 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 recognised in profit or loss. When a trade and other receivable 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 loss was recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group 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.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised 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 (including all fees and points 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 liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to directors and secured bank borrowings) are subsequently measured at amortised 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 derecognised 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. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise collateralised borrowing for proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligations specified in the relevant contract are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make 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 recognised 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 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 interest rate to calculate the present value. A considerable amount of judgment is required in assessing the ultimate realisation 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 affect the amount of depreciation to be charged to profit or loss in each reporting period and consequently affect their carrying value at the end of the reporting period.

6. Revenue and Segment Information

The Group determines its operating segments based on the reports reviewed by the executive Directors of the Company who are also the chief operating decision makers ("CODM") that are used to make strategic decisions.

During the year, the Group has introduced a new segment, Environmental Protection Dredging and Water Management Business and currently, the Group has three operating and reportable segments, namely (i) Capital and Reclamation Dredging Business; (ii) Environmental Protection Dredging and Water Management Business; and (iii) Dredging Related Construction Business. The segments are managed separately as each business offers different services and requires different marketing strategies.

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

Environmental Protection Dredging and Water Management Business refers to dredging or water management services or constructions for promoting environmental interests and water quality provided by the Group .

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

6. Revenue and Segment Information (Continued)

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

	Capital and Reclamation Dredging Business RMB'000	Environmental Protection Dredging and Water Management Business RMB'000	Dredging Related Construction Business RMB'000	Total RMB'000
For the year ended 31 December 2011				
Segment revenue	**930,378**	**206,925**	**—**	**1,137,303**
Segment results	**401,562**	**26,981**	**—**	**428,543**
Other income				**44,088**
Unallocated corporate expenses				**(40,235)**
Listing expenses				**(11,786)**
Finance costs				**(4,880)**
Profit before tax				**415,730**
For the year ended 31 December 2010				
Segment revenue	362,766	—	12,117	374,883
Segment results	167,663	—	2,397	170,060
Other 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 4. Segment results represent the profit earned by each segment without allocation of central administrative costs and marketing and promotion expenses, listing expenses, other income and finance costs. This is the measure reported to the Company's executive Directors for the purposes of resource allocation and performance assessment.

6. Revenue and Segment Information (Continued)

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

Segment assets and liabilities

As the assets and liabilities are regularly reviewed by the CODM 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 (other than bank balances of approximately RMB12 million as at 31 December 2011 (2010: RMB7 million) which were located in Hong Kong) 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:

	2011 RMB'000	2010 RMB'000
Customer A		
— Capital and Reclamation Dredging Business	**307,279**	181,594
— Dredging Related Construction Business	**—**	12,117
Customer B		
— Capital and Reclamation Dredging Business	**488,522**	152,122
Customer C		
— Environmental Protection Dredging and Water Management Business	**206,925**	—

7. Other Income

	2011 RMB'000	2010 RMB'000
Government financial incentive *(note)*	**43,100**	—
Bank interest income	**974**	26
Others	**14**	—
	44,088	26

7. Other Income (Continued)

Note: Pursuant to a document issued by a PRC local government authority, a PRC subsidiary was to be granted financial incentive for a period of 3 years for its contribution to the economic development of the locality, provided it is duly registered in the locality and pays taxes according to tax laws. No other conditions are attached to the financial incentive.

In 2011, the PRC local government authority confirmed that the amount of such financial incentive the Group was entitled up to 31 December 2011 was RMB43,100,000. Accordingly, the Group has recognised such amount as other income for the current year (2010: Nil).

8. Finance Costs

	2011 **RMB'000**	2010 RMB'000
Interest expense on:		
Bank borrowings wholly repayable within five years	**3,397**	2,285
Discounted bills	**1,483**	1,355
	4,880	3,640

9. Income Tax Expense

(i) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year, if any.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits for both years.

(ii) PRC Enterprise Income Tax

PRC Enterprise Income Tax is calculated at 25% of the assessable profits for both years.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2011 **RMB'000**	2010 RMB'000
Profit before tax	**415,730**	135,669
Tax at the PRC Enterprise Income Tax rate of 25% (2010: 25%)	**103,933**	33,917
Tax effect of expenses not deductible for tax purpose	**8,633**	6,722
Tax charge for the year	**112,566**	40,639

10. Profit for the Year

	2011 RMB'000	2010 RMB'000
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**3,240**	17
Depreciation of property, plant and equipment	**25,796**	11,618
Net foreign exchange losses *(note)*	**10,409**	—
Directors' emoluments *(note 11)*	**4,871**	951
Other staff costs	**19,653**	15,837
Retirement benefit scheme contributions, excluding those of Directors	**568**	1,161
Total staff costs	**25,092**	17,949
Sub-contracting charges included in operating cost	**188,575**	12,604

Note: Net foreign exchange losses was mainly attributable to the translation of listing proceeds which are denominated in Hong Kong dollars.

11. Directors' and Employees' Emoluments

Directors

Details of the emoluments paid to the Directors during the year are as follows:

	2011 RMB'000	2010 RMB'000
Fees	**4,846**	—
Salaries and other allowances	**19**	944
Retirement benefit scheme contributions	**6**	7
	4,871	951

11. Directors' and Employees' Emoluments (Continued)

Directors (Continued)

For the year ended 31 December 2011

	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors:				
Mr. Liu	2,228	19	6	2,253
Ms. Zhou	1,013	—	—	1,013
	3,241	19	6	3,266
Non-executive Director:				
Mr. Dong Li Yong	1,400	—	—	1,400
Independent non-executive Directors:				
Ms. Leung Mei Han	117	—	—	117
Mr. Zhang Jun	—	—	—	—
Ms. Peng Cuihong	88	—	—	88
	205	—	—	205
	4,846	19	6	4,871

11. Directors' and Employees' Emoluments (Continued)

Directors (Continued)

For the year ended 31 December 2010

	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors:				
Mr. Liu	—	944	7	951
Ms. Zhou	—	—	—	—
	—	944	7	951
Non-executive Director:				
Mr. Dong Li Yong	—	—	—	—
Independent non-executive Directors:				
Ms. Leung Mei Han	—	—	—	—
Mr. Zhang Jun	—	—	—	—
Ms. Peng Cuihong	—	—	—	—
	—	—	—	—
	—	944	7	951

11. Directors' and Employees' Emoluments (Continued)

Employees

Of the Group's five highest paid individuals during the year, three (2010: one) of them were Directors whose emoluments are presented above. The emoluments of the remaining highest paid individuals, were as follows:

	2011 **RMB'000**	2010 RMB'000
Salaries and other allowances	**1,697**	3,109
Retirement benefit scheme contributions	**10**	28
	1,707	3,137

Their emoluments were within the following bands:

	2011 **No. of employees**	2010 No. of employees
Nil to HK$1,000,000	**1**	4
HK$1,000,001 to HK$1,500,000	**1**	—

During both years, 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. Other than Mr. Zhang Jun who waived his emoluments for the year ended 31 December 2011 of approximately RMB88,000 in total, none of the Directors waived any emoluments during both years.

12. Earnings Per Share

The calculation of the basic earnings per share is based on the following data:

	2011	2010
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to shareholders of the Company	**303,164**	95,030
Number of shares		
Weighted average number of Shares for the purpose of basic earnings per share ('000)	**706,849**	250,314

The weighted average number of Shares for the purpose of basic earnings per share is calculated based on the number of Shares issued, and also has taken into account the weighted average effect of the capital injection by Mr. Liu to the companies comprising the Group prior to the Reorganisation.

The number of Shares for the year ended 31 December 2010 and 2011 has also been adjusted for the effect of the Capitalisation Issue as set out in note 20(v).

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

13. Dividends

No dividend has been paid or declared by the Company or by its subsidiaries since the date of their incorporation or during the year ended 31 December 2011 (2010: nil).

14. Property, Plant and Equipment

	Leasehold land and building	Leasehold improvement	Dredgers	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 1 January 2010	4,221	—	24,316	14,728	86	3,075	—	46,426
Additions	—	—	346,000	53	54	1,404	—	347,511
At 31 December 2010	4,221	—	370,316	14,781	140	4,479	—	393,937
Additions	—	244	342,183	11,014	278	745	257	354,721
At 31 December 2011	4,221	244	712,499	25,795	418	5,224	257	748,658
ACCUMULATED DEPRECIATION								
At 1 January 2010	184	—	2,499	2,443	26	867	—	6,019
Provided for the year	85	—	9,789	1,020	22	702	—	11,618
At 31 December 2010	269	—	12,288	3,463	48	1,569	—	17,637
Provided for the year	76	131	23,363	1,211	67	948	—	25,796
At 31 December 2011	345	131	35,651	4,674	115	2,517	—	43,433
CARRYING VALUE								
At 31 December 2011	3,876	113	676,848	21,121	303	2,707	257	705,225
At 31 December 2010	3,952	—	358,028	11,318	92	2,910	—	376,300

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

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

14. Property, Plant and Equipment (Continued)

Depreciation is charged so as to write off the cost of assets (other than construction in progress), over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, 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%
Leasehold improvement	over the shorter of the term of the lease, or five years

15. Trade and Other Receivables

	2011 RMB'000	2010 RMB'000
Trade receivables		
— non-current	**125,502**	—
— current	**551,174**	216,084
Less: Allowance on trade receivables	**—**	—
	676,676	216,084
Bills receivable	**—**	42,000
Deposits, prepayments and other receivables		
Government financial incentive receivables *(note 7)*	**43,100**	—
Deposits and prepayments	**8,573**	12,431
Rental deposits for chartered dredgers with short term leases	**2,053**	2,073
Rental receivables	**300**	300
Retention receivables	**109**	6,224
Others	**2,931**	1,328
	57,066	22,356
	733,742	280,440

Included in the balance of trade receivables at 31 December 2011 was an amount of approximately RMB169,170,000 due from a government entity customer. The contract with this customer set out the repayment schedule of which RMB71,633,000 and RMB53,869,000 of the contract revenue are to be settled on the 13th and 25th month after completion of the contract work which is December 2011. Interest is payable by the customer on these amounts at the rate of 10% per annum. Accordingly, an amount of RMB125,502,000 of the trade receivable is classified as non-current.

15. Trade and Other Receivables (Continued)

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 receive 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:

Aged analysis of the Group's trade receivables

	2011 RMB'000	2010 RMB'000
0–30 days	**227,560**	65,036
31–60 days	**54,303**	32,045
61–90 days	**56,583**	21,844
91–180 days	**236,719**	62,552
Over 180 days	**101,511**	34,607
	676,676	216,084

Retention receivables represent trade receivables 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:

Aged analysis of the Group's retention receivables

	2011 RMB'000	2010 RMB'000
61–90 days	**—**	22
91–180 days	**—**	1,323
Over 180 days	**109**	4,879
	109	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.

15. Trade and Other Receivables (Continued)

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

	2011 **RMB'000**	2010 RMB'000
0–30 days	**43,195**	13,722
31–60 days	**50,732**	4,065
61–90 days	**88,132**	81
91–180 days	**179,835**	84
Over 180 days	**54,352**	10,280
	416,246	28,232

The Group does not hold any collateral over the above balances, but management considers that no impairment loss needs to be recognised 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 year ended 31 December 2010 and 2011.

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:

	2011	2010
Range of interest rates (per annum)	**0.01%–0.44%**	0.01%–0.36%

Bank balances that are denominated in a currency other than the financial currency of the relevant group companies are set out below:

	2011 **RMB'000**	2010 RMB'000
United States Dollar ("US$")	**2,381**	—
Hong Kong Dollar ("HK$")	**11,572**	7,288

17. Trade and Other Payables

	2011 RMB'000	2010 RMB'000
Trade payables	**80,697**	103,106
Other payable and accruals	**47,903**	17,990
Provision for repair and maintenance of dredgers	**3,100**	1,354
Receipts in advance	**2,467**	3,991
Others	**3,991**	1,237
	57,461	24,572
	138,158	127,678

The aged analysis of the Group's trade payables presented based on the invoice date as at the end of each reporting period is as follows:

	2011 RMB'000	2010 RMB'000
0–30 days	**6,611**	22,730
31–60 days	**31,049**	13,042
61–90 days	**5,634**	11,081
91–180 days	**8,294**	16,507
Over 180 days	**29,109**	39,746
	80,697	103,106

18. Amounts Due to Directors

As at 31 December 2011, the amounts represent emolument payable to a director of approximately RMB88,000 and an amount due to Mr. Liu of approximately RMB60,233,000. All amounts are unsecured, interest-free, repayable on demand and non-trade in nature.

As at 31 December 2010, the amount was solely due to Mr. Liu and was unsecured, interest-free and non-trade in nature.

19. Bank Borrowings

	2011 RMB'000	2010 RMB'000
Unsecured bank borrowings repayable within one year	**25,000**	40,000

The Group's bank borrowings at 31 December 2011 carried variable interest rate and fixed interest rate with reference to the benchmark borrowing rate of The People's Bank of China ("Benchmark rate") or Benchmark rate plus certain basis points. The Group's bank borrowings at 31 December 2010 carried fixed interest rate. The effective interest rates of the bank borrowings (which are also equal to contracted interest rates) were as follows:

	2011	2010
Effective interest rate (per annum)	**6.61%–7.22%**	4.87%–5.31%
	(Fixed interest rate and Benchmark rate or Benchmark rate plus 10%)	(Fixed interest rate)

At 31 December 2011, the Group's bank borrowings were under the corporate guarantee given by Xiangyu PRC (see note 25(ii)).

At 31 December 2010, the Group's bank borrowings were under the corporate guarantee given by Xiangyu PRC (see note 25(ii)) and the personal guarantee provided by Mr. Liu (see note 25(ii)).

20. Share Capital/Paid-in Capital

	Notes	Number of shares	Amount HK$'000	RMB equivalent amount RMB'000
Ordinary shares of HK$0.10 each				
Authorised				
On incorporation of the Company	(i)	2,000,000	200	N/A
Increase on 19 April 2011	(ii)	9,998,000,000	999,800	N/A
Balance at 31 December 2011		10,000,000,000	1,000,000	N/A
Issued and fully paid				
Issued on incorporation of the Company and balance at 31 December 2010	(i)	1,000,000	—	—
Issued pursuant to the Reorganisation	(iii)	99,000,000	9,900	8,316
Paid up the nil-paid shares previously issued	(iii)	—	100	84
Global Offering	(iv)	200,000,000	20,000	16,800
Capitalisation Issue	(v)	500,000,000	50,000	42,000
Balance at 31 December 2011		800,000,000	80,000	67,200

Notes:

(i) The Company was incorporated on 31 May 2010 with an authorised share capital of HK$200,000 divided into 2,000,000 Shares of HK$0.10 each. On the date of incorporation, a total of 1,000,000 Shares of HK$0.10 each were issued and nil-paid.

(ii) Pursuant to a resolution passed by the then sole shareholder of the Company on 19 April 2011, the authorised share capital of the Company was increased from HK$200,000 to HK$1,000 million by the creation of 9,998,000,000 new Shares of HK$0.10 each in the Company.

(iii) On 19 April 2011, in exchange for the entire issued share capital of Power Wealth BVI, the Company (a) allotted and issued, credited as fully paid, 99,000,000 Shares of HK$0.10 each to Wangji, and (b) credited as fully paid at par the 1,000,000 nil-paid Shares then held by Wangji.

(iv) On 20 June 2011, the Company issued a total of 200,000,000 new Shares of HK$0.10 each at an issue price of HK$3.19 per Share pursuant to its prospectus dated 8 June 2011. The gross listing proceeds were HK$638,000,000 (approximately RMB535,920,000).

(v) On 20 June 2011, the Company issued and allotted a total of 500,000,000 Shares of HK$0.10 each to the shareholders whose names appeared on the Company's register of members on 24 May 2011 by capitalising an amount of HK$50,000,000 standing to the credit of the Company's share premium account which was created pursuant to the Global Offering.

The balance of the share capital at 31 December 2010 as shown in the consolidated statement of financial position represents the paid-in capital of the PRC Operational Entity and the share capital of Power Wealth BVI.

21. Major Non-Cash Transactions

During the year ended 31 December 2011, deposits of RMB273,000 were transferred to property, plant and equipment. In addition, approximately RMB1,366,000 other payables and RMB189,000 tax payable were paid by a director during the year.

During the year ended 31 December 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 31 December 2009 were also transferred to property, plant and equipment during the year ended 31 December 2010.

22. Operating Leases

The Group as lessee

(i) Minimum lease payments paid

	2011 **RMB'000**	2010 RMB'000
Minimum lease payments paid under operating leases during the year:		
— chartered dredgers	**268,182**	71,957
— office premises	**937**	351
— transportation vessel	**2,013**	—
	271,132	72,308

(ii) Minimum lease payment commitments

At the end of the year, 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

	2011 **RMB'000**	2010 RMB'000
Within one year	**—**	43,064

The leases for chartered dredgers are generally negotiated for a term of one year with fixed rental.

22. Operating Leases (Continued)

The Group as lessee (Continued)

(ii) Minimum lease payment commitments (Continued)

(b) Office premises

	2011 RMB'000	2010 RMB'000
Within one year	**633**	858
In the second to fifth year inclusive	**122**	832
Over five years	**306**	245
	1,061	1,935

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

23. Capital Commitments

	2011 RMB'000	2010 RMB'000
Capital commitments contracted but not provided for relating to acquisition of:		
— Jiangsu Jiaolong Salvage (as defined in note 31)	**127,500**	—
— transportation vessel	**400**	—
— other plant and equipment	**—**	117
	127,900	117

24. 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 according to the state rules.

25. Related Party Disclosures

(i) Related party transactions

During the year, the Group had the following transactions with related parties:

Related party	Nature of transaction	2011 RMB'000	2010 RMB'000
Mr. Liu	Acquisition of dredgers	—	346,000
	PRC Enterprise Income Tax paid on behalf of the PRC Operational Entity (as defined in note 30)	189	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	51
Yancheng Xingyu Construction Material Manufacturing Company Limited (鹽城興宇建材建造有限公司) ("Xingyu Construction")	Rental expense	40	10

On 30 December 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 20 years. Pursuant to the relevant tenancy agreement, the term of tenancy commenced from 30 December 2009 and will expire on 29 December 2019 at an annual rental of RMB51,000.

In addition, pursuant to a tenancy agreement entered into between the PRC Operational Entity and Xingyu Construction, a company controlled by Mr. Liu on 16 July 2010, a term of tenancy was established for the period from 16 July 2010 to 30 June 2013 at an annual rental of RMB40,000.

25. Related Party Disclosures (Continued)

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

During the year ended 31 December 2010, the Group's bank borrowings were supported by:

(a) pledge of properties owned by (a) Mr. Liu; (b) Ms. Zhou; (c) Mr. Li Jing (李錚), (a previous director of the PRC Operational Entity during the year ended 31 December 2010) and (d) 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.

(b) personal guarantee provided by Mr. Liu.

On 17 September 2010, the pledge of properties was released and the security to the Group's bank borrowings was replaced by the corporate guarantee given by Xiangyu PRC.

The guarantees provided by Mr. Liu in prior years were released during the year ended 31 December 2011.

(iii) Pledge of the Group's assets in support of loans granted to Wangji

(a) On 7 September 2010, Wangji obtained a loan of HK$230 million from a financial institution. The collaterals of such loan were: (i) personal guarantee by Mr. Liu; (ii) pledge of the entire share capital of Wangji; (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 dredgers. On 28 September 2010, Wangji 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 4 October 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 on that same date as more described in note (b) below.

(b) On 4 October 2010, Wangji obtained a loan of HK$153 million from another financial institution. The collaterals of such loan were: (i) personal guarantee by Mr. Liu; (ii) pledge of the 40% of the share capital of Wangji; (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 dredgers.

Guarantee (i) and collaterals (iii) to (v) as stated in (a) and (b) above were released during the year ended 31 December 2011.

(iv) Related party balances

A debt assignment has been signed between the director, Mr. Liu and certain subsidiaries of the Group during the year. Details of the balances due to Directors are set out in note 18.

(v) Compensation of key management personnel

The emoluments of Directors who are also identified as members of key management of the Group during the reporting period are set out in note 11.

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 maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of amounts due to directors and bank borrowings as disclosed in notes 18 and 19 respectively and equity attributable to shareholders 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

	2011	2010
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**849,986**	278,456
Financial liabilities		
Amortised cost	**166,018**	169,570

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amounts due to directors and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include liquidity risk. The policy on how to mitigate this risk is set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

27. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) *Currency risk*

The Group has foreign currency transactions, which expose the Group to foreign currency risk. The Company will consider the use of foreign currency forward contracts to mitigate the risk when the need arise.

At the end of the reporting period, the carrying amounts of foreign currency denominated monetary assets that are considered significant by the management are as follows:

	Assets	
	2011	2010
	RMB'000	RMB'000
US$	**2,381**	—
HK$	**11,573**	7,288

The following table details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in the functional currency of the relevant group entities against the relevant foreign currencies to the extent that the exposures have not been hedged. 5% (2010: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 5% change in foreign currency rates. On this basis, there will be an increase in post-tax profit where the functional currency of the relevant group entities weaken against the foreign currencies by 5%, and vice versa.

	Increase in post-tax profit	
	2011	2010
	RMB'000	RMB'000
US$	**89**	—
HK$	**434**	—

27. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances as at 31 December 2011. In addition, the Group was also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings as at 31 December 2010 and 2011.

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 borrowings and bank balances at the end of the reporting date.

The analysis is prepared assuming the outstanding amount at the end of the reporting date was outstanding for the whole year. For the year ended 31 December 2011, 50 basis points increase or decrease for bank balances and bank borrowings are used whereas for the year ended 31 December 2010, 50 basis points increase or decrease for bank borrowings and 5 basis points increase or decrease for bank balances are used, when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates for bank borrowings and bank balances respectively.

If interest rates had been 50 basis points higher/lower for bank borrowings and bank balances respectively (2010: 5 basis points for bank balances)s, and all other variables were held constant, the Group's profit for the year would increase/(decrease) as follows:

	2011 **RMB'000**	2010 RMB'000
Profit for the year	**419**	5

27. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

At the end of the reporting date, 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 the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise 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 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 good reputation.

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

	2011	2010
	%	%
Amount due from the largest customer as a percentage to total trade receivables	**35**	34
Amount due from the five largest customers as a percentage to total trade receivables	**98**	97

Because of its business nature, the Group normally only transacts with PRC government entities or large state-owed 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.

The following tables detail Group's contractual maturity for its financial liabilities. The tables have 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing interest rate at the end of the reporting date.

27. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate %	**On demand/ less than 3 months RMB'000**	**3 months to 1 year RMB'000**	**Total undiscounted cash flows RMB'000**	**Carrying amount RMB'000**
At 31 December 2011					
Non-derivative financial liabilities					
Trade payables	**—**	**80,697**	**—**	**80,697**	**80,697**
Amounts due to directors	**—**	**60,321**	**—**	**60,321**	**60,321**
Bank borrowings					
— variable rate	**7.08**	**—**	**14,353**	**14,353**	**14,000**
— fixed rate	**6.94**	**5,023**	**6,433**	**11,456**	**11,000**
		146,041	**20,786**	**166,827**	**166,018**

	Weighted average effective interest rate %	On demand/ less than 3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2010					
Non-derivative financial liabilities					
Trade 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 amounts included above for variable interest rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting date.

27. Financial Instruments (Continued)

(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 amortised cost in the consolidated financial statements approximate their fair values.

28. Share-Based Payment Transaction

Pursuant to the written resolution of the shareholders of the Company dated 24 May 2011, the share option scheme (the "Scheme") was approved and adopted.

The Scheme was established for the purpose of providing incentives or rewards for the contribution of Directors and eligible persons. The Scheme will remain in force for a period of ten years from adoption of the Scheme. The Scheme will expire on 23 May 2021.

Under the Scheme, the Directors may at their discretion grant options to (i) any Director (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Company, any of the subsidiaries or any entity in which the Group holds an equity interest; or (ii) any suppliers, customers, technical consultants who provided services to the Group, shareholders of the subsidiaries of the Group and joint venture partners to subscribe for the Shares.

Options granted must be taken up within 21 days of the date of grant. The maximum number of Shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company at any point in time. The total number of Shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange. The maximum number of Shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the Shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Options may be exercised during such period (including the minimum period, if any, for which an option must be held before it can be exercised) as may be determined by the Directors (which shall be less than ten years from the date of issue of the relevant option). Options may be granted without initial payment except the payment of HK$1 as consideration for grant of option each time. The exercise price is equal to the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of the grant; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the grant; and (iii) nominal value of the Shares.

No share option has been granted under the Scheme since its adoption.

29. Statement of Financial Position of the Company

The statement of financial position of the Company as at the end of the reporting period is as follows:

	2011 **RMB'000**	2010 RMB'000
Investment in subsidiaries	**167,445**	—
Amount due from subsidiaries	**425,623**	—
Other assets	**9,459**	—
Total assets	**602,527**	—
Total liabilities	**(3,006)**	(21,532)
	599,521	(21,532)
Capital and reserves		
Share	**67,200**	—
Reserves (i)	**532,321**	(21,532)
	599,521	(21,532)

(i) Reserves of the Company

	Share premium RMB'000	**Other reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2010	—	—	—	—
Loss and total comprehensive expense for the year	—	—	(21,532)	(21,532)
At 31 December 2010	—	—	(21,532)	(21,532)
Issue of shares pursuant to the reorganisation *(Note 20(iii))*	—	165,238	—	165,238
Issue of share through Global Offering *(Note 20(iv))*	519,120	—	—	519,120
Translation cost attributable to issue of new shares	(45,309)	—	—	(45,309)
Capitalisation Issue *(Note 20(v))*	(42,000)	—	—	(42,000)
Loss and total comprehensive expense for the year	—	—	(43,196)	(43,196)
At 31 December 2011	431,811	165,238	(64,728)	532,321

30. Particulars of Subsidiaries

Particulars of the Company's subsidiaries at 31 December 2011 and 2010 are as follows:

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 17 May 2010	US$20,000	100%	Investment holding	Limited liability
Xiangyu Dredging Company Limited 翔宇疏浚有限公司 *(note i)*	Hong Kong 14 May 2010	HK$10,000	100%	Investment holding and entered into strategic alliance with a supplier	Limited liability
Indirectly owned					
Power Wealth Engineering Limited ("Power Wealth HK") 力富工程有限公司	Hong Kong 3 July 2002	HK$100,000	100%	Investment holding and provision of dredging consultation services	Limited liability
Jiangsu Xiangyu Port Construction Project Administration Company Limited* ("Xiangyu PRC") 江蘇翔宇港建工程管理有限公司	PRC 11 June 2010	US$40,000,000	100%	Provision of dredging services	Foreign wholly-owned enterprise
Jiangsu Xiangyu Water Management Company Limited* 江蘇翔宇水務有限公司 *(note i)*	PRC 3 August 2011	RMB174,782,386	100%	Provision of dredging and water management services	Foreign wholly-owned enterprise
Jiangsu Xingyu Port Construction Company Limited* ("PRC Operational Entity") 江蘇興宇港建有限公司	PRC 13 July 2007	RMB39,315,800	100%	Provision of dredging services	Limited liability

* *English translated name is for identification only*

Note i: These companies were newly incorporated/acquired during the year ended 31 December 2011.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

31. Event after the Reporting Period

On 19 September 2011, the Company announced that it has entered into conditional agreements with the equity-owners of 江蘇蛟龍打撈航務工程有限公司 (Jiangsu Jiaolong Salvage Harbour Engineering Co. Ltd.) ("Jiangsu Jiaolong Salvage") whereby, upon completion of a transfer and a subscription of capital in Jiangsu Jiaolong Salvage, the Group would own 51% of Jiangsu Jiaolong Salvage for a total consideration of approximately RMB127.5 million (the "Acquisition").

Jiangsu Jiaolong Salvage is a limited liability company established in the PRC and is principally engaged in the business of salvaging sunk objects and the provision of engineering services for ports and channels.

As announced by the Company on 24 February 2012, the Acquisition was completed on 20 February 2012 and Jiangsu Jiaolong Salvage became a subsidiary of the Group. The Directors are still assessing the impact of such Acquisition to the Group up to the date of this report.

Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last four financial years.

Results

	Year ended 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,137,303**	374,883	346,549	133,349
Profit before tax	**415,730**	135,669	121,971	61,925
Income tax expense	**(112,566)**	(40,639)	(33,130)	(16,261)
Consolidated net profit of the Group for the year and total comprehensive income for the year	**303,164**	95,030	88,841	45,664

Assets and Liabilities

	As at 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**830,877**	376,573	71,901	62,972
Current assets	**734,028**	292,960	314,134	95,896
Current liabilities	**(334,924)**	(233,327)	(218,407)	(80,081)
Net assets	**1,229,981**	436,206	167,628	78,787