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## **China Dredging Environment Protection Holdings Limited**

**中國疏浚環保控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 871)**

### **ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

For the reasons explained below in the section headed “Review of Unaudited Annual Results” in this announcement, the audit process for the annual results of China Dredging Environment Protection Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 has not yet been completed. The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company announces the unaudited consolidated results of the Group for the year ended 31 December 2021, together with the audited comparative figures for the year ended 31 December 2020, which are presented in Renminbi (“**RMB**”), the lawful currency of the People’s Republic of China (the “**PRC**”), are as follows.

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	2020 <i>RMB'000</i> <b>(Audited)</b>
Revenue	4	<b>387,389</b>	286,341
Operating cost		<b>(352,462)</b>	(329,895)
Gross profit/(loss)		<b>34,927</b>	(43,554)
Other income	6	<b>2,787</b>	2,176
Gain on waived bonds payable	16	<b>207,977</b>	–
Other gains and losses, net	7	<b>22,098</b>	25,610
Marketing and promotion expenses		<b>(527)</b>	(6,047)
Administrative expenses		<b>(46,708)</b>	(75,590)
Allowance for expected credit losses, net of reversal		<b>7,498</b>	(149,956)
Impairment losses on property, plant and equipment and right-of-use assets		<b>(50,841)</b>	(253,985)
Changes in fair value of investment properties		<b>(119,503)</b>	19,400
Finance costs		<b>(33,066)</b>	(43,389)
Profit/(loss) before tax		<b>24,642</b>	(525,335)
Income tax expense	8	<b>(1,226)</b>	(12,029)
<b>Profit/(loss) for the year</b>	<b>9</b>	<b><u>23,416</u></b>	<b><u>(537,364)</u></b>
 <i>Other comprehensive income</i>			
<b>Items that will not be reclassified to profit or loss:</b>			
Surplus on revaluation of investment property transferred from property, plant and equipment		<b>19,872</b>	–
Other comprehensive income for the year, net of income tax		<b>19,872</b>	–
Total comprehensive income/(expenses)		<b><u>43,288</u></b>	<b><u>(537,364)</u></b>

	<b>2021</b> <b><i>RMB'000</i></b> <b>(Unaudited)</b>	2020 <i>RMB'000</i> (Audited)
Profit/(loss) for the year attributable to:		
– Owners of the Company	4,754	(526,583)
– Non-controlling interests	<u>18,662</u>	<u>(10,781)</u>
	<u><b>23,416</b></u>	<u>(537,364)</u>
Profit/(loss) and total comprehensive income/ (expenses) for the year attributable to:		
– Owners of the Company	24,626	(526,583)
– Non-controlling interests	<u>18,662</u>	<u>(10,781)</u>
	<u><b>43,288</b></u>	<u>(537,364)</u>
Earnings/(loss) per share		
– Basic and diluted (RMB cents)	<u><b>0.34</b></u>	<u>(55.01)</u>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	2020 <b>RMB'000</b> <b>(Audited)</b> <b>(Restated)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,144,460</b>	1,039,088
Right-of-use assets		<b>47,670</b>	52,490
Investment properties		<b>439,272</b>	517,686
Other intangible assets		–	3,417
Goodwill		<b>201</b>	201
Interest in an associate		<b>2,017</b>	150
Equity instruments at fair value through other comprehensive income		<b>3,000</b>	–
Deposit paid for acquisition of property, plant and equipment		–	18,752
Trade and other receivables and prepayments	<i>12</i>	–	145,471
Contract assets		<b>5,365</b>	19,064
		<b>1,641,985</b>	1,796,319
<b>Current assets</b>			
Trade and other receivables and prepayments	<i>12</i>	<b>591,888</b>	576,754
Contract assets		<b>3,701</b>	5,983
Bank balances and cash		<b>32,075</b>	29,309
		<b>627,664</b>	612,046
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>359,728</b>	359,371
Contract liabilities		<b>34,974</b>	42,364
Amounts due to directors of the Company		<b>34,207</b>	44,855
Amounts due to non-controlling shareholders of a subsidiary		<b>3,554</b>	2,257
Tax payable		<b>64,382</b>	60,218
Bank borrowings	<i>14</i>	<b>276,300</b>	293,400
Other borrowings	<i>15</i>	<b>47,574</b>	78,943
Bonds payable	<i>16</i>	–	287,482
Lease liabilities		<b>1,322</b>	605
		<b>822,041</b>	1,169,495
<b>Net current liabilities</b>		<b>(194,377)</b>	(557,449)
<b>Total assets less current liabilities</b>		<b>1,447,608</b>	1,238,870

	<i>Note</i>	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	2020 <i>RMB'000</i> <i>(Audited)</i>
<b>Capital and reserves</b>			
Share capital		<b>255,259</b>	167,914
Reserves		<b>764,827</b>	740,213
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>1,020,086</b>	908,127
Non-controlling interests		<b>140,603</b>	129,731
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,160,689</b>	1,037,858
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Amounts due to non-controlling shareholders of a subsidiary		<b>59,887</b>	61,387
Deferred tax liabilities		<b>15,748</b>	27,260
Other borrowings	<i>15</i>	<b>210,762</b>	110,510
Lease liabilities		<b>522</b>	1,855
		<hr/>	<hr/>
		<b>286,919</b>	201,012
		<hr/>	<hr/>
		<b>1,447,608</b>	1,238,870
		<hr/>	<hr/>

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

### 1. GENERAL

China Dredging Environment Protection Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s immediate and ultimate holding company is Wangji Limited, a limited company incorporated in the British Virgin Islands, which is ultimately and wholly owned by Mr. Liu Kaijin (“**Mr. Liu**”), who is the Executive Director and chairman of the Board of directors of the Company (the “**Board**”). The Company’s registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is situated at Rooms 1501–2, 15/F., Siu On Plaza, 482 Jaffe Road, Causeway Bay, Hong Kong.

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

The English names of all the companies established in the PRC presented in these consolidated financial statements represent the best efforts made by the directors of the Company for the translation of the Chinese names of these companies to English names as they do not have official English names.

### 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

#### **Going concern assessment**

As of 31 December 2021, the Group had net current liabilities of approximately RMB194,377,000 (2020: RMB557,449,000). Further, the Group had bank borrowings and other borrowings amounting to approximately RMB276,300,000 (2020:RMB293,400,000) and RMB47,574,000 (2020: RMB78,943,000), respectively which will fall due within twelve months of the date of the consolidated financial statements.

In preparing the consolidated financial statements, the directors of the Group (the “**Directors**”) have given careful consideration to the future liquidity of the Group.

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. They are of the opinion that, taking into account the following plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Nevertheless, the consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern, after taking into consideration of the following:

- (1) The Company obtained a letter of support dated 31 March 2022 from Mr. Liu that he would not request the Group to repay the amount due to him of approximately RMB29,700,000 (2020: RMB40,900,000) and he also agreed to provide sufficient funds to the Group so that the Group will be able to meet all the liabilities and financial obligations as and when they fall due in the coming twelve months from 31 December 2021;
- (2) The Group has maintained long business relationship with its principal bankers and subsequent to the end of the reporting period, a principal banker has confirmed their willingness to provide banking facilities of not less than approximately RMB200,000,000 to the Group;
- (3) The Directors also believe that it is highly probable that bank borrowings and other borrowings as at 31 December 2021 of approximately RMB276,300,000 and RMB47,574,000 (2020: RMB293,400,000 and RMB78,943,000), respectively can be renewed which will be matured within twelve months after 31 December 2021; and
- (4) The Group continues to generate cash inflows from its operating activities by implementing measures to tighten cost controls over various operating expenses in order to improve its cash flows position and to generate greater positive cash inflows from its operations in the future;

On the basis of the above considerations, the Directors believe that the Group can satisfy its financial obligations in the foreseeable future and accordingly, the consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

### 3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-related rent concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

### 4. REVENUE

Disaggregation of revenue from contracts with customers

	2021 <i>RMB’000</i> (Unaudited)	2020 <i>RMB’000</i> (Audited)
<b>Segments</b>		
Capital and Reclamation Dredging Business	<b>80,150</b>	71,421
Environment Protection Dredging and Water Management Business	<b>52,760</b>	49,080
Other Marine Business	<b>251,196</b>	158,940
Property Management Business	<b>3,283</b>	6,900
	<b>387,389</b>	286,341
<b>Timing of revenue recognition</b>		
Over time	<b>387,389</b>	286,341
<b>Total</b>	<b>387,389</b>	286,341

For Capital and Reclamation Dredging Business and Environment Protection Dredging and Water Management Business, the Group has a right to consideration from its customers in an amount that corresponds directly with the value to the customers of the Group’s performance completed to date. As the Group bills its customers based on each portion of dredging works provided, the Group recognises revenue based on the amount it has a right to invoice.

The Group recognises revenue on the basis of the volume of dredging works performed and delivered to customers. The measurements of value of the dredging works transferred to customers are directly invoiced based on a quantitative measure of dredging, that is, a unit price for the material dredged per cubic meter is set forth in the contracts with customers and therefore the revenue is recognised based on the amount invoiced. As the Group’s performance creates an asset that customer simultaneously receives and consumes, this method provides a faithful depiction of the transfer of an asset to the customer.

The transaction price of the Group is determined upon establishment of the contract that contains the unit price for the quantity dredged for dredging projects.

For Other Marine Business, the Group provides marine hoisting, installation, salvaging, vessel chartering and other engineering services to clients and recognises revenue over time based on the progress of the services provided.

For Property Management Business, the Group provides property management services to its tenants in a shopping mall and factories and recognises monthly property management fee over time.

The majority of the Company’s contracts are short-term contracts and have a duration of less than one year, the practical expedient for contracts with durations of one year or less is applied and therefore the effect of the time value of money is not considered.

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

	<b>2021</b> <i>RMB’000</i> <b>(Unaudited)</b>	2020 <i>RMB’000</i> (Audited)
Customer A		
– Other Marine Business	<b>43,762</b>	31,193
Customer B		
– Environmental Protection Dredging and Water Management Business	<b>N/A</b>	<b>45,786</b>

*Note:* Customer B did not contribute over 10% of the Group’s total revenue for the year ended 31 December 2021. Other than customers A, no other customers contributed over 10% of the Group’s total revenue for the year ended 31 December 2021.

## 5. OPERATING SEGMENTS

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. Information reported to the CODM is based on the different nature of projects carried out by the Group.

Details of the Group's four reportable and operating segments are as follows:

- (i) Capital and Reclamation Dredging Business refers to the capital and reclamation dredging services and related consultation services provided by the Group;
- (ii) Environmental Protection Dredging and Water Management Business refers to dredging or water management services or constructions for promoting environmental interests and water quality mainly for inland rivers provided by the Group;
- (iii) Other Marine Business mainly comprises marine hoisting, installation, salvaging, vessel chartering and other engineering services provided by the Group; and
- (iv) Property Management Business refers to the management and leasing of a shopping mall and factories and the construction of a hotel by the Group.

### Segment results

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

	Capital and Reclamation Dredging Business <i>RMB'000</i> (Unaudited)	Environmental Protection Dredging and Water Management Business <i>RMB'000</i> (Unaudited)	Other Marine Business <i>RMB'000</i> (Unaudited)	Property Management Business <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
<b>For the year ended 31 December 2021</b>					
<b>Segment revenue</b>					
External sales	<u>80,149</u>	<u>52,760</u>	<u>251,196</u>	<u>3,284</u>	<u>387,389</u>
<b>Segment results</b>	<u>(39,827)</u>	<u>(20,982)</u>	<u>51,629</u>	<u>(55,888)</u>	<u>(65,068)</u>
Changes in fair value of investment properties					(119,503)
Allowance for expected credit losses, net of reversal					30,515
Gain on waived bonds payable					207,977
Unallocated other income, gains and losses, net					23,750
Unallocated corporate expenses					(38,277)
Unallocated finance costs					<u>(14,752)</u>
Profit before tax					<u>24,642</u>

	Capital and Reclamation Dredging Business <i>RMB'000</i> (Audited) (Restated)	Environmental Protection Dredging and Water Management Business <i>RMB'000</i> (Audited) (Restated)	Other Marine Business <i>RMB'000</i> (Audited) (Restated)	Property Management Business <i>RMB'000</i> (Audited) (Restated)	Total <i>RMB'000</i> (Audited) (Restated)
<b>For the year ended 31 December 2020</b>					
Segment revenue	<u>71,421</u>	<u>49,080</u>	<u>158,940</u>	<u>6,900</u>	<u>286,341</u>
Segment results	<u>(351,852)</u>	<u>(89,819)</u>	<u>8,101</u>	<u>(31,267)</u>	<u>(464,837)</u>
Changes in fair value of investment properties					19,400
Allowance for expected credit losses, net of reversal					(2,768)
Unallocated other income, gains and losses, net					24,798
Unallocated corporate expenses					(66,080)
Unallocated finance costs					<u>(35,848)</u>
Loss before tax					<u>(525,335)</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies.

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

**6. OTHER INCOME**

	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	2020 <i>RMB'000</i> (Audited)
Bank interest income	11	51
Sundry income	<u>2,776</u>	<u>2,125</u>
	<b><u>2,787</u></b>	<b><u>2,176</u></b>

**7. OTHER GAINS AND LOSSES, NET**

	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	2020 <i>RMB'000</i> (Audited)
Gain on disposal of property, plant and equipment, net	1,135	2,988
Gain on written off of a lease	–	54
Gain on modification of bonds payable ( <i>Note 16</i> )	–	325
Exchange gain, net	<u>20,963</u>	<u>22,243</u>
	<b><u>22,098</u></b>	<b><u>25,610</u></b>

**8. INCOME TAX EXPENSE**

	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	2020 <i>RMB'000</i> (Audited)
The charge comprises:		
– Current tax		
PRC EIT Tax	12,738	2,025
Deferred tax		
– Current year	<u>(11,512)</u>	<u>10,004</u>
	<b><u>1,226</u></b>	<b><u>12,029</u></b>

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries had no assessable profits arising in or derived from Hong Kong for both years.

## 9. PROFIT/(LOSS) FOR THE YEAR

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Profit/(loss) for the year has been arrived at after charging (crediting):		
Directors' emoluments	1,900	1,900
Other staff costs	49,901	40,980
Retirement benefit scheme contributions	4,928	8,357
Performance related bonuses	–	–
Equity-settled share-based payments	–	292
Total staff costs	<u>56,729</u>	<u>51,529</u>
Impairment losses recognised on		
– Property, plant and equipment	56,696	248,130
– Right-of-use assets	(5,855)	5,855
	<u>50,841</u>	<u>253,985</u>
Gross rental income from investment properties	(3,284)	(6,900)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	226	331
Direct operating expenses incurred for investment properties that did not generate rental income during the year	157	77
	<u>(2,901)</u>	<u>(6,492)</u>
Auditor's remuneration	1,388	1,648
Depreciation of property, plant and equipment	89,684	104,407
Depreciation of right-of-use assets	3,086	3,942
Amortisation of other intangible assets	–	333
Written-off of other intangible assets	3,417	–
Gain on disposal of property, plant and equipment, net	(1,135)	(2,998)
Operating cost	<u>352,462</u>	<u>329,895</u>

## 10. EARNINGS/(LOSS) PER SHARE

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

	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	2020 <i>RMB'000</i> (Audited)
Profit/(loss) for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>4,741</u>	<u>526,583</u>
	<b>2021</b> <b>'000</b>	2020 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	<u>1,381,114</u>	<u>957,171</u>

The computation of diluted loss per share for the year ended 31 December 2020 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the year ended 31 December 2020. As at 31 December 2021 and 31 December 2020, the Group did not have other potential ordinary shares.

## 11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021 and 31 December 2020, nor has any dividend been proposed since the end of the reporting period.

## 12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade receivables	1,632,858	1,633,251
Less: Allowance for credit losses	<u>(1,159,371)</u>	<u>(1,136,100)</u>
	473,487	497,151
Bills receivable	29,997	21,516
Value-added tax recoverable	26,889	2,582
Government financial incentive receivables, net	5,120	6,017
Prepayment for construction of the Vessel and Equipment	–	129,071
Other prepayments	36,784	43,995
Deposits	12,852	17,030
Other receivables	<u>6,759</u>	<u>4,863</u>
	<u>591,888</u>	<u>722,225</u>
Analysed as:		
– Current	591,888	576,754
– Non-current	<u>–</u>	<u>145,471</u>
	<u>591,888</u>	<u>722,225</u>

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

### Aged analysis of the Group's trade receivable, net of ECL

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
0–30 days	71,054	68,224
31–60 days	21,545	9,690
61–90 days	6,890	3,094
91–180 days	22,517	9,413
181–365 days	35,627	42,336
1 year–2 years	14,392	74,573
Over 2 years	<u>301,462</u>	<u>289,821</u>
	<u>473,487</u>	<u>497,151</u>

### 13. TRADE AND OTHER PAYABLES

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Trade payables		
Sub-contracting charge	<b>117,996</b>	101,315
Fuel cost	<b>8,459</b>	2,030
Repair and maintenance	<b>19,807</b>	14,888
Others	<b>1,885</b>	18,922
	<b>148,147</b>	137,155
Other payables		
Payable for construction cost of investment properties ( <i>note</i> )	<b>73,873</b>	73,945
Accrual for other taxes	<b>51,688</b>	53,362
Accrual for staff salaries and welfare	<b>36,705</b>	35,018
Others	<b>49,315</b>	59,891
	<b>211,581</b>	222,216
	<b>359,728</b>	359,371

The aged analysis of the Group's trade payables presented based on the invoice date, except for sub-contracting charge which is presented based on dates of the progress certificates, as at the end of each reporting period is as follows:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
0–30 days	<b>17,626</b>	15,798
31–60 days	<b>37,879</b>	19,563
61–90 days	<b>4,042</b>	983
91–180 days	<b>19,337</b>	3,014
Over 180 days	<b>69,263</b>	97,797
	<b>148,147</b>	137,155

*Note:* As at 31 December 2021, based on invoice date, RMB73,873,000 (2020: RMB73,873,000) of the other payables for construction cost for investment properties has been due for over 1 year.

#### 14. BANK BORROWINGS

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Secured bank borrowings		
Payment schedule according to contractual repayment terms		
Amount due for settlement within one year	<u>276,330</u>	<u>293,400</u>

#### 15. OTHER BORROWINGS

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Other borrowings:		
Secured other borrowing from Financing Company	176,421	112,526
Unsecured other borrowings	<u>81,915</u>	<u>76,927</u>
	<u>258,336</u>	<u>189,453</u>
The above borrowings are repayable		
Within one year	47,574	78,943
Within a period of more than one year but not exceeding two years	<u>210,762</u>	<u>110,510</u>
	<u>258,336</u>	<u>189,453</u>

#### 16. BONDS PAYABLE

During the year ended 31 December 2020, the Group has settled approximately HK\$3,560,000 (equivalent to RMB3,000,000) (2020: HK\$6,838,000, equivalent to RMB6,030,000) to CITIC, the bond holder of an unsecured convertible bonds (the “**Bonds**”) issued on 8 November 2013. On 3 December 2020, the Company and CITIC had entered into the seventh amendment agreement, (the “**Seventh Amendment Agreement**”) to extend the maturity date of 7 November 2016 to 31 March 2021. Pursuant to the Seventh Amendment Agreement, it has been agreed that, a) the principal amount of the Bonds shall be amended to HK\$319,483,000 (equivalent to RMB268,045,000); b) the redemption amount of the Bonds shall be amended to HK\$352,447,000 (equivalent to RMB295,702,000) including the interest accrued at 8% per annum; and c) if the Company repays CITIC an amount of HK\$98,359,000 on or before 31 March 2021, the Company shall be deemed to have repaid the Bonds in full. The Company has repaid HK\$98,359,000 to CITIC on 30 March 2021 in pursuant with the above terms set out in the Seventh Amendment Agreement, such bonds payable have been fully settled and gain on waived bonds payable is recognised in profit or loss.

The arrangement in relation to (a) and (b) under the Seventh Amendment Agreement as mentioned above resulted in a substantial modification of terms of the Bonds, resulting in an extinguishment of the original Bonds and the recognition of new Bonds, a modification gain of HK\$325,000 is recognised in profit or loss.

Under the abovementioned agreements entered into by the Company and CITIC, the Bonds are personally guaranteed by Mr. Liu and his spouse Ms. Zhou Shuhua (“**Ms. Zhou**”) who are also the Directors of the Company, and is secured by the equity interests in certain subsidiaries of the Company pledged in favour of CITIC, and a dredger an industrial premise and a residential property owned by the Group included in property, plant and equipment and investment properties with carrying value of RMB198,360,000 as at 31 December 2020.

Details of each of the agreements are set out in the announcements of the Company dated 7 November 2016, 15 November 2016, 16 November 2016, 16 December 2016, 22 March 2017, 5 June 2017, 22 September 2017, 1 December 2017, 23 January 2018, 15 March 2019 and 3 December 2020.

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

<b>Period</b>	<b>Interest rate per annum</b>
From 22 June 2018 and up to 20 December 2019	13%
From 21 December 2019 and up to 31 March 2021	8%

*Note:* The above interest shall accrue on a day to day basis and be calculated on the basis of a 365-day calendar year on the Reduced Redemption Amount/revised principal amount.

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

	<b>RMB'000 (Unaudited)</b>
At 1 January 2020	286,804
Gain on modification of bonds payable	(325)
Interest expenses	22,857
Settlement during the year	(3,000)
Exchange realignment	(18,854)
	<hr/>
At 31 December 2020	287,482
Interest expenses	5,179
Settlement during the year	(83,145)
Gain on waived bonds payable	(207,977)
Exchange realignment	(1,539)
	<hr/>
At 31 December 2021	<hr/> –

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

	<b>2021 RMB'000 (Unaudited)</b>	<b>2020 RMB'000 (Audited)</b>
Bonds payable on demand	–	–
Bonds payable within one year	–	287,482
	<hr/>	<hr/>

## 17. RELATED PARTY DISCLOSURES

Saved as disclosed in elsewhere in the consolidated financial statements, during the year, the Group entered into the following significant transactions with the related parties and had the following outstanding balances with related parties at the end of both years:

### (i) Related party transactions

In addition, the Group received other advances from, and made repayments to Mr. Liu during the years ended 31 December 2021 and 2020. As at 31 December 2021, the amount due to Mr. Liu was RMB29,700,000 (2020: RMB40,900,000).

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

As at 31 December 2021 and 2020, other than pledge of assets of the Group, the Group's bank borrowings and bonds payable were also supported by:

- (a) corporate guarantee given by Jiangsu Xiangyu Port Construction Project Administration Company Limited\* (江蘇翔宇港建工程管理有限公司) (“Xiangyu PRC”);
- (b) personal guarantees provided by Mr. Liu and Ms. Zhou; and
- (c) two properties owned by certain non-controlling shareholders of the Company's subsidiary.

In addition, bank borrowing of the Group of RMB91 million (2020: RMB81 million) was supported by a property owned by a company in which Mr. Liu and Ms. Zhou has beneficial interest.

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

As at 31 December 2021, other than pledging a vessel of the Group, the Group's construction of a vessel and equipment was also supported by personal guarantees provided by Mr. Liu and Ms. Zhou.

## 18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group is primarily engaged in dredging business, which can be divided into three main operating and reportable segments, namely, (i) capital and reclamation dredging business (the “**CRD Business**”); (ii) environmental protection dredging and water management business (the “**EPD and Water Management Business**”); and (iii) other works operated in marine sites such as hoisting wind power equipment, installing major parts of docks and bridges, as well as laying underwater pipelines and salvaging (the “**Other Marine Business**”). In addition, the Group has set up property management business in respect of the management of Xingyu International Houseware Plaza\* (興宇國際家居廣場) (formerly known as Easyhome Yancheng Shopping Mall\* 居然之家鹽城店) (the “**Property Management Business**”).

### Financial Review

#### *Revenue*

For the year ended 31 December 2021 (the “**Reporting Period**”), the Group recorded a substantial increase by about 35.3% in total revenue from approximately RMB286.3 million for the year ended 31 December 2020 to approximately RMB387.4 million.

As regards the CRD Business segment, revenue of approximately RMB80.1 million was recorded for the Reporting Period, which increased by about 12.2% when compared to that for the year ended 31 December 2020. The increase in revenue was primarily due to the stabilisation prevention and control amid the COVID-19 in mainland China and overseas during the year. As the production capacity of the large-scale dredgers of the Group is mainly from the overseas countries, yet the equipment replacement, the supply of repair materials and the rotation and support of the key personnel of the operation and project teams are all from mainland China, the pandemic has caused serious impact on the operation of the Group for the last year.

Revenue of approximately RMB52.8 million was recorded for the EPD and Water Management Business segment, representing a slight increase of about 7.5% from its corresponding segment revenue for the year ended 31 December 2020. The increase was caused by the desirable works progress of certain environmental protection dredging projects as COVID-19 was under control for the year in mainland China.

Revenue for the Other Marine Business was approximately RMB251.2 million, representing a increase of 58.0% as compared with the corresponding period of 2020. The increase in revenue was mainly due to a self-propelled fixed-crane vessel delivered during the Reporting Period, it can grasp more business opportunities.

Revenue for the Property Management Business segment for the Reporting Period was approximately RMB3.3 million, which decreased by about 52.4% from RMB6.9 million for the year ended 31 December 2020, due to decrease in occupancy rate.

#### *Operating Cost and Gross Profit*

The Group's operating cost increased from approximately RMB329.9 million for the year ended 31 December 2020 to approximately RMB352.5 million during the Reporting Period, representing a increase of about 6.8%. The increase was primarily in line with the increase in overall revenue.

The Group recorded a gross profit of approximately RMB34.9 million for the Reporting Period as compared with a gross loss of approximately RMB43.6 million for the year ended 31 December 2020. Gross profit margin of 9% was recorded for the Reporting Period as compared with a gross loss margin of 15.2% for the year ended 31 December 2020. The significant increase in the revenue brought by the rebound from the outbreak of COVID-19 in mainland China and overseas, while substantial costs such as depreciation of assets and maintenance of equipment is fixed.

#### *Net Other Gain*

The Group recorded a net other gains of RMB22.1 million during the Reporting Period as compared with a net other gains of RMB25.6 million for year ended 31 December 2020, which was primarily caused by decrease of gain an disposal of property, plant and equipment and exchange gain for the Reporting Period.

#### *Expected Credit Loss Allowance*

As a prudent measure in managing the trade receivables, contract assets and other receivables, the Company appointed an independent external professional valuer to make an independent valuation and based on its suggestion to reverse the allowance for expected credit losses on trade receivables, prepayment and the contract assets of about RMB7.5 million in total for the Reporting Period (2020: recognise the allowance about RMB150.0 million).

### *Impairment loss on property, plant and equipment*

During the Reporting Period, a non-cash impairment loss of RMB50.8 million (2020: RMB254.0 million) was recognised on the property, plant and equipment and the right-of-use assets, mainly attributable to the continuing challenging market condition as an impairment indicator to the Group's businesses.

### *Marketing and Promotion Expenses*

Marketing and promotion expenses for the Reporting Period was approximately RMB0.5 million, representing a decrease of about 91.3% as compared with approximately RMB6.0 million for the year ended 31 December 2020, which was mainly attributable to the decrease in marketing and promotion activities resulting from the outbreak of COVID-19.

### *Administrative Expenses*

Administrative expenses for the Reporting Period amounted to approximately RMB46.7 million, representing an decrease of about 38.2% from RMB75.6 million for the year ended 31 December 2020. This was mainly due to the change of allocation of depreciation charge of certain dredgers as operating costs instead of administrative expenses resulting from such dredgers started to operate during the Reporting Period.

### *Finance Costs*

Finance costs for the Reporting Period amounted to approximately RMB33.1 million, which decreased by about 23.8% when compared to that for the corresponding period last year.

### *Income Tax Expense*

Income tax expense decreased from approximately RMB12.0 million for the year ended 31 December 2020 to approximately RMB1.2 million for the Reporting Period.

### *Profit for the Year*

Influenced by the above factors as a whole, the net profit for the Reporting Period was approximately RMB23.4 million, as compared to a net loss of approximately RMB537.4 million for the year ended 31 December 2020.

### *Earnings/(loss) Per Share*

Earnings per share for the Reporting Period was approximately RMB0.34 per share (2020: loss per share was approximately RMB55.01).

### *Financial Management Policies*

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

As most of the Group's trading transactions, monetary assets and liabilities are denominated mainly in Renminbi, which is the Group's functional and reporting currency, and save for the Bonds and certain bank borrowings and deposits denominated in United States dollars and Hong Kong dollars, the foreign exchange gain recognised for the Reporting Period was approximately RMB21.0 million (31 December 2020: exchange loss of approximately RMB22.2 million). The Group is giving full attention to respond to the related foreign exchange rate risks.

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

### *Financial Position*

As at 31 December 2021, the total equity of the Group amounted to approximately RMB1,160.7 million (31 December 2020: approximately RMB1,037.9 million). The increase in total equity was mainly attributable to the gain on waived bond payable for the Reporting Period.

The Group's net current liabilities as at 31 December 2021 amounted to approximately RMB194.4 million (31 December 2020: approximately RMB557.4 million). The current ratio, which is calculated by dividing current assets by current liabilities, was 0.76 as at 31 December 2021 (31 December 2020: 0.52).

### *Liquidity and Financial Resources*

The Group adopts prudent cash and financial management policies. In order to achieve better cost control and reduce capital cost, 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 current assets were cash and various bank deposits which was about RMB32.1 million in total as at 31 December 2021, representing an increase by about 9.4% as compared with that of approximately RMB29.3 million as at 31 December 2020.

The Group's trade receivables as at 31 December 2021 amounted to approximately RMB473.5 million (2020: approximately RMB497.2 million), representing a decrease by 4.8% when compared with that of the corresponding period of the preceding year.

As at 31 December 2021, total liabilities of the Group amounted to approximately RMB1,109.0 million (31 December 2020: approximately RMB1,370.5 million). The Group's gearing ratio (calculated by interest bearing instruments (including bank borrowings, other borrowings and bonds payable) divided by total equity) decreased to 46.1% (2020: 72.9%).

#### *Charge over Assets of the Group*

As at 31 December 2021, the Group's bank borrowings were secured by charges over certain dredgers and land owned by the Group, a property owned by a company in which Mr. Liu has beneficial interest and personal guarantees by Mr. Liu and Ms. Zhou. There were also intragroup charges between two of the Company's wholly-owned subsidiaries as a result of the contractual arrangements, pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu Holdings Group Limited\* (江蘇興宇控股集團有限公司) have been transferred to Xiangyu PRC.

#### *Material Acquisitions and Disposals*

The Group had no material investments in or material acquisitions or disposals of subsidiaries during the current year.

#### *Capital Commitments and Contingent Liabilities*

As at 31 December 2021, the Group had capital commitments of approximately RMB80.8 million (31 December 2020: approximately RMB91.0 million), which mainly included the construction and decoration costs of a hotel.

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

## **Business Review**

The outbreak of COVID-19 during the year of 2021, it has disrupted the overall business of the Group at different levels of time and regions continuously. With the fact that both domestic and overseas economies are still challenging and complicated, it is high pressure brought to the Group. The Group's domestic businesses were affected by the lock-down of various cities implemented in mainland China, resulting in the forced suspension of all local operations until the gradual resumption of work. Due to the logistics problem of material supply, the out-of-line replacement of personnel and the frequent requests for work suspension by the local governments from time to time, the construction schedules and the output of the Group's overseas projects were affected throughout the year. Following to the stabilising prevention and control, the Group is facing the both opportunities and challenges.

The CRD Business is the Group's core business. The Group proactively explored overseas markets in recent years and has actively undertaken several dredging projects in Bangladesh, Myanmar and Thailand in the Reporting Period. The increase in revenue generated by such business segment was due to more overseas construction projects than last year.

The Group develops and expands the EPD and Water Management Business segment proactively. The Group recorded a stable growth in revenue during the Reporting Period, which was attributable to the desirable works progress of certain environmental protection dredging projects.

Other Marine Business includes installing marine wind power equipment, hoisting major parts of docks and bridges, laying underwater pipelines and other works services. Due to the rapid development of the marine wind power constructions in mainland China, the Group has built a 2,300-tonned self-propelled fixed-crane vessel with a total investment cost of RMB230 million, which is delivered during the year of 2021, it can grasp more such business opportunities.

Xingyu International Houseware Plaza is a shopping mall, which located at the administrative centre of Yandu District, Yancheng City, Jiangsu Province, the PRC and the core area of Yancheng National High-tech Industrial Development Zone with a gross floor area of 75,600 square metres, is mainly used for leasing under the Property Management Business. The shopping mall was positioned as a largescale shopping center with domestic construction materials as its theme, offering one-stop services from furniture, housewares to decoration materials to customers. However, due to the lock-down implementation and decrease in the occupancy rate, the revenues of property rental of the plaza was seriously affected.

In addition to the operation and lease of shopping malls, the Group also commenced to construct a hotel located at the west of Caihong Road, Yancheng City, Jiangsu Province, the PRC, with a gross floor area of 20,000 square metres. Currently, the related construction works of the hotel still in progress.

## **PROSPECTS**

Following to the stabilising prevention and control amid the COVID-19, the Group will continue to consistently and actively monitor market conditions, take appropriate actions to alleviate the negative impact of the pandemic on the Group's business and performance, strengthen project cost control, and continue to stabilise construction projects, operation team and management system.

Meanwhile, the Group continuously adopts a robust and prudent operating strategy to ensure an effective control of various possible operational risks as well as to speed up the collection of receivables.

For capital operation, based on the progress of its substantial construction projects including the operating progress of the overseas projects, the Group will actively identify and materialise healthy and feasible financial plans, such as strengthening the collection of the receivables and enhancing the capital structure of the Group, so as to satisfy, support and meet the Group's business development.

The Group has taken timely and active prevention and control measures to ensure the health and safety of all employees, and to accumulate strength for the recovery and development of the Group,

## **EMPLOYEES AND REMUNERATION POLICY**

The sustained development of our business leverages on the ongoing contributions by our employees. The Board considers employees the Group's most valuable wealth and is committed to improving their growth environment, providing them competitive remuneration packages and safeguarding their health and safety. As at 31 December 2021, the Group had 522 (2020: 454) employees. The total staff cost for the Reporting Period was about RMB56.7 million (2020: RMB51.2 million). The Group's remuneration policy is basically determined by the Directors based on the performance of individual employees and market conditions. In addition to salaries and discretionary bonuses, employee benefits include pension contributions and options which may be granted under share option scheme.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: nil).

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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 2021.

## **CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and enhance its corporate value and accountability. The Group has applied the principles and adopted all code provisions, where applicable, of the code provisions as contained in "Corporate Governance Code and Corporate Governance Report" set out in Appendix 14 to the Listing Rules as the Group's own code of corporate governance (the "**CG Code**"). The Directors consider that the Company has complied with all applicable code provisions under the CG Code during the reporting period.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' dealings in the Company's securities.

Having made specific enquiry to the Directors, all Directors had confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 December 2021.

## USE OF NET PROCEEDS FROM SHARE ISSUANCE UNDER SPECIFIC MANDATE

Reference is made to the subscription of 508,240,000 new shares of the Company (the “**Subscription**”) by Mr. Liu Kaijin, the chairman of the Company, an executive Director and a substantial Shareholder, details of which are set out in the Company’s announcement dated 14 January 2021 and the Company’s circular dated 3 February 2021. The following table sets forth the status of use of net proceeds from the Subscription as of 31 December 2021:

<b>Intended use of proceeds from the Subscription</b>	<b>Net proceeds</b> <i>HK\$ million</i>	<b>Actual use of</b>	<b>Actual use</b>
		<b>proceeds during the year ended 31 December 2021</b> <i>HK\$ million</i>	<b>of proceeds up to 31 December 2021</b> <i>HK\$ million</i>
To redeem the 2016 Bonds ( <i>note</i> )	98.4	98.4	98.4
General working capital	1.2	1.2	1.2
<b>Total</b>	<b>99.6</b>	<b>99.6</b>	<b>99.6</b>

*Note:* 2016 Bonds refer to 3% convertible bonds originally due 2016 issued by the Company to the Bondholder pursuant to the conditional subscription agreement dated 28 October 2013 entered into between the Company with the Bondholder and also a deed poll dated 8 November 2013 executed by the Company as amended and supplemented from time to time by a framework agreement (as amended by a supplemental framework agreement and a second supplemental framework agreement) and also various amendment agreements to such deed poll.

## AUDIT COMMITTEE

The Company has established the audit committee with written terms of reference. As at the date of this announcement, the audit committee comprises three independent non-executive Directors, namely Mr. Chan Ming Sun Jonathan, Mr. Huan Xuedong and Mr. Liang Zequan. Mr. Chan Ming Sun Jonathan is the chairman of the audit committee. The primary duties of the audit committee are to review the Company’s financial information, and oversee the Company’s financial reporting system, risk management and internal control systems.

The audit committee has jointly reviewed with the Board the unaudited consolidated financial results of the Group for the year ended 31 December 2021, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

Due to the recurrence of COVID-19 in early 2022, epidemic prevention and control measures and restrictions were implemented in China. As at the date of this announcement, the auditing process for the annual results for the year ended 31 December 2021 has not been completed. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. The Company will issue an announcement on the audited annual results of the Group upon completion of the auditing process in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The auditing process is expected to be completed by 29 April 2022.

## **PUBLICATION OF ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) as well as the website of the Company ([www.cdcp.com.hk](http://www.cdcp.com.hk)). Subject to completion of audit, the Company currently expects to issue a further announcement by no later than 29 April 2022 in relation to the audited annual results for the year ended 31 December 2021 of the Group as agreed by the Company's auditor and the adjustments (if any) to the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

The annual report of the Company for the year ended 31 December 2021 will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

**The financial information contained herein in respect of the unaudited annual results of the Group has not been audited and has not been agreed with the Company's auditor. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company. When in doubt, shareholders of the Company and potential investors are advised to seek advice from professional parties or financial advisers.**

By order of the Board

**China Dredging Environment Protection Holdings Limited**

**Liu Kaijin**

*Chairman and executive Director*

Hong Kong, 31 March 2022

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

*\* For identification purpose only*