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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “Board”) of directors (the “Director(s)”) of China Dredging Environment Protection Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 (the “Reporting Period”), together with the unaudited comparative figures for the six months ended 30 June 2021 as follows, which are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and are presented in Renminbi (“RMB”):

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
			(restated)
Revenue	4	172,731	146,807
Operating Cost		(144,251)	(131,174)
Gross profit		28,480	15,633
Other income		4,746	1,830
Gain on waived bond payable		–	210,306
Other gains and losses, net	6	386	(2,475)
Marketing and promotion expenses		(346)	(2,500)
Administrative expenses		(15,851)	(24,136)
Share of result of an associate		(104)	(1)
Finance costs		(13,549)	(17,444)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (Continued)**

For the six months ended 30 June 2022

	<i>Notes</i>	Six months ended 30 June	
		2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited) (restated)
Profit before tax		3,762	181,213
Income tax expense	7	<u>(9,652)</u>	<u>(4,868)</u>
(Loss)/profit and total comprehensive (expense)/income for the period	8	<u>(5,890)</u>	<u>176,345</u>
(Loss)/profit and total comprehensive (expense)/ income for the period attributable to:			
Owners of the company		(17,626)	168,076
Non-controlling interests		<u>11,736</u>	<u>8,269</u>
		<u>(5,890)</u>	<u>176,345</u>
(Loss)/earnings per share for the period	9		
– Basic and diluted (RMB cents)		<u>(1.17)</u>	<u>13.41</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment		1,095,093	1,144,460
Right-of-use assets		46,315	47,670
Investment properties		439,272	439,272
Goodwill		201	201
Interest in an associate		1,913	2,017
Equity instruments at fair value through other comprehensive income		3,000	3,000
Contract assets		1,330	5,365
		<u>1,587,124</u>	<u>1,641,985</u>
Current assets			
Trade and other receivables and prepayments	<i>11</i>	581,206	591,888
Contract assets		5,263	3,701
Bank balances and cash		28,216	32,075
		<u>614,685</u>	<u>627,664</u>
Current liabilities			
Trade and other payables	<i>12</i>	344,219	359,728
Contract liabilities		10,490	34,974
Amounts due to directors of the Company		88,177	34,207
Amounts due to non-controlling shareholders of a subsidiary		3,437	3,554
Tax payable		69,288	64,382
Bank borrowings	<i>13</i>	217,950	276,300
Other borrowings		49,897	47,574
Lease liabilities		917	1,322
		<u>784,375</u>	<u>822,041</u>
Net current liabilities		<u>(169,690)</u>	<u>(194,377)</u>
Total assets less current liabilities		<u>1,417,434</u>	<u>1,447,608</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 30 June 2022*

		As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
	<i>Notes</i>		
Capital and reserves			
Share capital	<i>14</i>	255,247	255,247
Reserves		747,213	764,839
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,002,460	1,020,086
Non-controlling interests		152,339	140,603
		<hr/>	<hr/>
Total equity		1,154,799	1,160,689
		<hr/>	<hr/>
Non-current liabilities			
Amounts due to non-controlling shareholders of a subsidiary		59,887	59,887
Deferred tax liabilities		14,991	15,748
Other borrowings		187,598	210,762
Lease liabilities		159	522
		<hr/>	<hr/>
		262,635	286,919
		<hr/>	<hr/>
		1,417,434	1,447,608
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

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 liability company incorporated in the British Virgin Islands, which is ultimately and wholly owned by Mr. Liu Kaijin (“Mr. Liu”), who is also 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 Company acts as an investment holding company and its subsidiaries are principally engaged in the provision of dredging and water management services, provision of marine hoisting, installation and other engineering services.

The condensed 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 condensed consolidated financial statements represent the best efforts made by the directors of the Company (the “Directors”) 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Going concern assessment

As at 30 June 2022, the Group had net current liabilities of approximately RMB169,690,000 (30 June 2021: RMB317,760,000) and bank and other borrowings amounted to approximately RMB217,950,000 and RMB49,897,000 (30 June 2021: RMB291,800,000 and RMB102,072,000), respectively which will fall due within twelve months from the date of 30 June 2022.

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.

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

Going concern assessment (Continued)

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. 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 undertaking (the "Letter of Undertaking") from Mr. Liu that: (i) he agreed not to request the Group to repay the amount due to him of approximately RMB83,053,000, included in the amounts due to directors of the Company until the Group has sufficient funds to meet all the liabilities and financial obligations as and when they fall due in the coming twelve months from 30 June 2022; and (ii) 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 30 June 2022;
- 2) Since most of the bank borrowings as at 30 June 2022 of RMB217,950,000 were secured by the Group's assets, the Directors believe that it is highly probable that they can be renewed in the next twelve months;
- 3) The Directors also believe that it is highly probable that other borrowings as at 30 June 2022 of approximately RMB49,897,000 which will be matured within twelve months after 30 June 2022 can be renewed; 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 is able to satisfy its liabilities and financial obligations in the foreseeable future and accordingly, the condensed consolidated financial statements have been prepared on a going concern basis. The condensed 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. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020 cycle

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standard(s), amendments and interpretation(s) will have no material impact on the unaudited condensed consolidated financial statements.

4. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Categories of revenue		
Capital and Reclamation Dredging Business	47,708	37,896
Environmental Protection Dredging and Water Management Business	4,774	19,457
Other Marine Business	116,645	85,542
Property Management Business	3,604	3,912
	<u>172,731</u>	<u>146,807</u>
Timing of revenue recognition		
At point in time	–	–
Over time	<u>172,731</u>	<u>146,807</u>
Total	<u>172,731</u>	<u>146,807</u>

5. 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 of the Group (“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 revenues and results

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

For the six months ended 30 June 2022

	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)
Segment revenue					
External sales	47,708	4,774	116,645	3,604	172,731
Segment results	7,691	1,263	7,482	644	17,080
Share of result of an associate					(104)
Unallocated other income, gains and losses, net					4,762
Unallocated corporate expenses					(12,923)
Unallocated finance costs					(5,053)
Profit before tax					<u>3,762</u>

5. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 June 2021

	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)
Segment revenue					
External sales	37,896	19,457	85,542	3,912	146,807
Segment results	(5,770)	148	7,706	1,136	3,220
Share of result of an associate					(1)
Unallocated other income, gains and losses, net					(645)
Gain on waived bond payable					210,306
Unallocated corporate expenses					(17,390)
Unallocated finance costs					(14,277)
Profit before tax					<u>181,213</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment results represent the profit earned or loss incurred by each segment without allocation of certain other income, change in fair values of investment properties, gain on waived bonds payable, net foreign exchange difference, central administration costs, certain allowance for expected credit losses recognised, Directors' emoluments and finance costs and other items listed above. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION (Continued)

Segment assets

At 30 June 2022

	Capital and reclamation dredging business RMB'000 (Unaudited)	Environmental protection dredging and water management business RMB'000 (Unaudited)	Other marine business RMB'000 (Unaudited)	Property management business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets	<u>754,532</u>	<u>181,568</u>	<u>640,962</u>	<u>492,773</u>	2,069,835
Unallocated assets:					
Right-of-use assets					1,120
Bank balances and cash					28,216
Other corporate assets					<u>102,638</u>
Consolidated assets					<u>2,201,809</u>

At 31 December 2021

	Capital and reclamation dredging business RMB'000 (Audited)	Environmental protection dredging and water management business RMB'000 (Audited)	Other marine business RMB'000 (Audited)	Property management business RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	<u>693,287</u>	<u>214,381</u>	<u>714,870</u>	<u>525,525</u>	2,148,063
Unallocated assets:					
Right-of-use assets					1,122
Bank balances and cash					32,075
Other corporate assets					<u>88,389</u>
Consolidated assets					<u>2,269,649</u>

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

5. SEGMENT INFORMATION (Continued)

Segment liabilities

As the liabilities are regularly reviewed by the CODM in total for the Group as a whole, the measure of total liabilities by reportable segments is therefore not presented.

Geographical information

Revenue from external customers

	Six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mainland China	130,595	120,540
Other regions	42,136	26,267
	<u>172,731</u>	<u>146,807</u>

Information about the Group's revenue from external customers is presented based on the location of the operations.

Non-current assets

Substantially all the non-current assets of the Group, including the property, plant and equipment, right-of-use assets, investment assets and other intangible assets are located/registered in Mainland China.

6. OTHER GAINS AND LOSSES, NET

	Six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	370	902
Exchange gain or loss, net	16	(3,377)
	<u>386</u>	<u>(2,475)</u>

7. INCOME TAX EXPENSE

	Six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax (“EIT”)	10,409	5,643
Deferred taxation		
– Current period	<u>(757)</u>	<u>(775)</u>
	<u>9,652</u>	<u>4,868</u>

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 periods.

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

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

8. (LOSS)/PROFIT FOR THE PERIOD

	Six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	950	950
Other staff costs	26,852	24,950
Retirement benefit scheme contributions	2,758	2,464
Performance related bonuses	–	–
Equity-settled share-based payments	–	–
	<hr/>	<hr/>
Total staff costs	<u>30,560</u>	<u>28,364</u>
Gross rental income from investment properties	(3,604)	(3,912)
Less: Direct operating expenses incurred for investment properties that generated rental income during the period	122	157
Direct operating expenses incurred for investment properties that did not generate rental income during the period	63	53
	<hr/>	<hr/>
	<u>(3,419)</u>	<u>(3,702)</u>
Depreciation of property, plant and equipment	54,252	52,241
Depreciation of right-of-use assets	1,392	1,719
Amortisation of other intangible assets	–	167
Gain on disposal of property, plant and equipment, net	370	902
Operating costs	<u>144,251</u>	<u>131,174</u>

9. (LOSS)/EARNINGS PER SHARE

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

	Six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss)/earnings per share	<u>(17,626)</u>	<u>168,076</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,503,882</u>	<u>1,253,457</u>

As at 30 June 2022 and 30 June 2021, the Group did not have potential ordinary shares.

10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2022 and 30 June 2021, nor has any dividend been proposed since the end of the reporting period.

11. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	At	At
		30 June	31 December
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Trade receivables		1,631,817	1,632,858
Less: Allowance for expected credit losses		<u>(1,159,371)</u>	<u>(1,159,371)</u>
	<i>(i)</i>	472,446	473,487
Bills receivable		28,868	29,997
Value-added tax recoverable	<i>(ii)</i>	37,063	26,889
Government financial incentive receivables, net	<i>(iii)</i>	5,120	5,120
Other prepayments	<i>(iv)</i>	24,283	36,784
Deposits		7,646	12,852
Other receivables		<u>5,780</u>	<u>6,759</u>
		<u>581,206</u>	<u>591,888</u>

11. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(i) Trade receivables

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

The Group prepares an aged analysis for its trade receivable based on the dates when the Group and the customers agreed on the quantum of the services rendered, as evidenced by progress certificates. Periodic statements are issued and agreed by the customers for the services rendered for the customers.

Most of the dredging contracts require the customers to make monthly progress payments with reference to the quantum of the services completed (typically 95% of the quantum of the services completed in the previous month) within 30 days to 90 days after the issuance of the progress certificate. According to these dredging contracts, the remaining balance (typically 5% of the quantum of the services completed) is kept as retention money and is to be paid by the customers within thirty to sixty days after (a) the project is completed and (b) accepted by the customers.

A contract asset is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on (a), (b) and expiration of defect liability period.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which range from 30 to 365 days after (a) and (b) are fulfilled. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately. The timing of payment patterns give rise to retention receivables which are subject to performance risks but not only the passage of time before the retention receivables are due.

Aged analysis of the Groups trade receivables, net of Expected Credit Loss ("ECL")

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:

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
0-30 days	4,634	71,054
31-60 days	13,982	21,545
61-90 days	38,340	6,890
91-180 days	30,009	22,517
181-365 days	36,399	35,627
1 year-2 years	40,424	14,392
Over 2 years	308,658	301,462
	472,446	473,487

11. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(i) Trade receivables (Continued)

Aged analysis of the Groups trade receivables, net of Expected Credit Loss (“ECL”) (Continued)

The estimated loss rates for ECL calculations are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by the management to ensure relevant information about specific debtors is update.

(ii) Value-added tax recoverable (“VAT”)

VAT paid of approximately RMB 37,063,000 (31 December 2021: RMB26,889,000) by the Group in connection with its property, plant and machinery and construction in progress could be set-off against future value added tax payable generated from the Group

(iii) Government financial incentive receivables, net

The aggregate carrying amount of government financial incentive receivable, deposits and other receivables were of approximately RMB18,546,000 (31 December 2021: RMB24,731,000). During the period ended 30 June 2022, an allowance of expected credit loss of approximately RMB5,000,000 (31 December 2021: RMB5,000,000) was recognised.

(iv) Other prepayments

As at 30 June 2022, the Group’s other prepayments comprise of approximately RMB 29,897,000 (31 December 2021: RMB36,784,000) related to the Group paid for the chartering cost, docking costs and fuel cost for both PRC and overseas projects.

12. TRADE AND OTHER PAYABLES

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables		
Sub-contracting charge	85,219	117,996
Fuel cost	3,632	8,459
Repair and maintenance	28,748	19,807
Others	7,470	1,885
	<u>125,069</u>	<u>148,147</u>
Other payables		
Payable for construction cost of investment properties (<i>Note</i>)	73,873	73,873
Accrued for other taxes	55,851	51,688
Accrued for staff salaries and welfare	39,780	36,705
Others	49,646	49,315
	<u>219,150</u>	<u>211,581</u>
	<u>344,219</u>	<u>359,728</u>

Note: As at 30 June 2022, based on invoice date, other payables for construction cost for investment properties of approximately RMB73,873,000 (31 December 2021: RMB73,873,000) has been due for over 1 year.

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:

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
0–30 days	12,206	17,626
31–60 days	611	37,879
61–90 days	2,678	4,042
91–180 days	8,032	19,337
Over 180 days	101,542	69,263
	<u>125,069</u>	<u>148,147</u>

13. BANK BORROWINGS

During the current interim period, the Group raised bank loans of RMB149,950,000 (31 December 2021: RMB193,800,000) and repaid bank loans of RMB208,300,000 (31 December 2021: RMB210,900,000). As at 30 June 2022, the effective interest rates of the bank borrowings ranged from 5.10% to 8.31% (31 December 2021: 5.22% to 8.05%) per annum.

14. SHARE CAPITAL

	Number of shares		Amount HK\$'000	RMB
	at HK\$0.2 each '000	at HK\$0.1 each '000		equivalent amount RMB\$'000
Authorised				
As at 1 January 2021	–	10,000,000	10,000,000	N/A
Share Consolidation (<i>Note (ii)(a)</i>)	5,000,000	(10,000,000)	–	N/A
	<u>5,000,000</u>	<u>–</u>	<u>10,000,000</u>	<u>N/A</u>
At 31 December 2021, 1 January 2022 and 30 June 2022	<u>5,000,000</u>	<u>–</u>	<u>10,000,000</u>	<u>N/A</u>
Issued and fully paid				
Balance at 1 January 2021	N/A	1,974,283	197,428	167,914
Exercise of Share Options (<i>note (i)</i>)	N/A	17,000	1,700	1,420
Share Consolidation (<i>note (ii)(a)</i>)	995,642	(1,991,283)	–	–
Subscription of new Consolidated Shares (<i>Note (ii)(b)</i>)	508,240	–	101,648	85,913
	<u>508,240</u>	<u>–</u>	<u>101,648</u>	<u>85,913</u>
Balance at 31 December 2021, 1 January 2022 and 30 June 2022	<u>1,503,882</u>	<u>–</u>	<u>300,776</u>	<u>255,247</u>

Notes:

(i) Exercise of Share Options

On 11 January 2021, 17,000,000 Share Option holders exercised their options to subscribe for 17,000,000 new shares in the Company at the exercise price of HK\$0.1. Subsequent to the new issue of the shares of the Company to the Share Option holders, the issued share capital of the Company has 1,991,283,000 shares of HK\$0.1 each in the share capital of the Company in issue.

These new shares rank pari passu in all respect with the then existing shares of the Company.

(ii) Share Consolidation and Subscription of new Consolidated Shares

As described in the Company's circular on 3 February 2021, the Company proposed: (a) the share consolidation (the "Share Consolidation") of the issued and unissued share capital of the Company; and (b) the subscription of new consolidated shares (the "Subscription") and details of which are as following:

14. SHARE CAPITAL (Continued)

Notes: (Continued)

(ii) Share Consolidation and Subscription of new Consolidated Shares (Continued)

(a) Share Consolidation

The proposed Share Consolidation was on the basis that every two (2) issued and unissued existing shares of HK\$0.10 each be consolidated into one (1) consolidated share of HK\$0.20 each in the share capital of the Company (the “Consolidated Shares”).

The Share Consolidation was approved by the shareholders of the Company at the extraordinary general meeting held on 5 March 2021 and effective on 9 March 2021. As a result, the authorised share capital of the Company became HK\$1,000,000,000 divided into 5,000,000,000 shares of HK\$0.20 each, of which 995,641,500 Consolidated Shares were in issue. Up to 8 March 2021, the authorised share capital of the Company is HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each, of which 1,991,283,000 shares have been allotted and issued, and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other, and the Share Consolidation will not result in any change in the relative rights of the shareholders.

(b) Subscription of new Consolidated Shares

Mr. Liu, a substantial Shareholder, the Chairman and an Executive Director of the Company has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 508,240,000 new Consolidated Shares (the “Subscription Share”) at the subscription price of HK\$0.20 per (the “Subscription Price”) Subscription Share to Mr. Liu. The Subscription Price was reference to the theoretical closing price of HK\$0.180 per Consolidated Share based on the closing price of HK\$0.090 per existing share on the last trading day on 13 January 2021, being the last trading day of the shares of the Company immediately prior to the entering into of the Subscription Agreement on 14 January 2021.

The Subscription Shares have a market value of HK\$91,483,200, and the aggregate nominal value of the Subscription Shares is HK\$101,648,000 based on the par value of the Consolidated Shares of HK\$0.20. The net proceeds of from the Subscription will be used to fully redeem the Company’s Bonds and the remaining balance of will be used as general working capital of the Company.

The Share Consolidation was approved by the shareholders of the Company at the extraordinary general meeting held on 5 March 2021. As a result, the Company allotted and issued and Mr. Liu subscribed for 508,240,000 new Consolidated Shares at the Subscription Price of HK\$0.20 per each in the Company on 30 March 2021.

The new issued shares shall rank *pari passu* in all respects with each other in the share capital of the Company.

Further details of the above are set out in the Company’s circular dated 3 February 2021 and the announcements dated 5 March 2021.

15. COMPARATIVE FIGURES

Certain comparative amounts have been restated to conform with the current period’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 (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) and factories (the “Property Management Business”).

During the Reporting Period, the Group recorded a loss of approximately RMB5.9 million, as compared to a profit of approximately RMB176.3 million for the first half of the year 2021. The loss attributable to the shareholders of the Company was approximately RMB17.6 million.

BUSINESS REVIEW

The CRD Business is the Group’s core business. During the Reporting Period, the operation of the domestic construction projects has been carried out smoothly. As for the overseas construction projects, the Group continuously explored several dredging projects in Southeast Asia region such as Indonesia, Bangladesh, Myanmar, Cambodia and Thailand. Since the overseas projects resumed to normal for the first half of the year, the performance for CRD Business has been improved compared with the corresponding period of 2021.

The EPD and Water Management Business recorded a decreased in revenue during the Reporting Period, however the segment results is improved due to the tightened cost control.

Other Marine Business refers to services including installation of wind-powered generation equipment, bulk material hoisting and installation in dock and bridge construction and other engineering services. Due to the rapid development of the marine wind-powered structures in mainland China, the Group has built a 2300-tonned self-propelled fixed-crane vessel, which had been delivered to the Group during the year of 2021, it can grasp more such business opportunities.

Xingyu International Houseware Plaza with a gross floor area of 75,600 square meters for commercial leasing under the Property Management business, it was positioned as a large-scale 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 the houseware plaza, the Group also commenced to construct a hotel with a gross floor area of 20,000 square metres located at the west of Caihong Road, Yancheng City, Jiangsu Province. The related construction work of the hotel has not yet completed because of the funding issue of the Group.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately RMB172.7 million, representing an increase of 17.7% as compared with approximately RMB146.8 million in the corresponding period of 2021.

Regarding the CRD Business segment, the revenue generated during the Reporting Period was approximately RMB47.7 million which represented an increase of 25.9% from the corresponding segment's revenue in the corresponding period of 2021. The increase in revenue for the CRD Business segment was primarily due to the effective control of the COVID-19 pandemic which resulted in the desirable works progress of certain construction projects in mainland China, and overseas projects resumed to normal for the first half of the year.

Regarding the EPD and Water Management Business segment, the revenue generated during the Reporting Period was approximately RMB4.8 million which represented a decrease of 75.5% as compared with the corresponding segment's revenue in the same period of 2021. The decrease in revenue was due to the fewer projects launched during the Reporting Period.

Other Marine Business contributed a revenue of approximately RMB116.6 million to the Group for the Reporting Period, which represented an increase of 36.4% as compared with the corresponding segment's revenue in the same period of 2021. The increase in revenue was due to a 2,300-tonned self-propelled fixed-crane vessel delivered.

The revenue of the Property Management Business for the Reporting Period was approximately RMB3.6 million, which represented a decrease of 7.9% as compared with approximately RMB3.9 million in the corresponding period of 2021.

Operating costs and gross profit

The Group's operating costs increased by 10.0% from approximately RMB131.2 million for the six months ended 30 June 2021 to approximately RMB144.3 million for the Reporting Period.

The Group's gross profit increased by 82.2% from approximately RMB15.6 million for six months ended 30 June 2021 to approximately RMB28.5 million for the Reporting Period.

The segment gross loss margin of the CRD Business improved from 15.2% for the six months ended 30 June 2021 to gross profit margin 16.1% for the Reporting Period. The segment gross profit margin of the EPD and Water Management Business increased to 26.5% for the Reporting Period from 0.8% for the corresponding period last year, which was mainly caused by the comparatively higher upfront cost needed for the commencement of new projects for the six months ended 30 June 2021. The segment gross profit margin of the Other Marine Business decreased from 9.0% for the six months ended 30 June 2021 to 6.4% for the Reporting Period, which was mainly due to the increase of maintenance cost for the vessels.

The segment gross profit margin of the Property Management Business decreased from 29.0% for the same period of last year to 17.9% for the Reporting Period.

As a result, the overall gross profit margin of the Group increased from 10.6% for the six months ended 30 June 2021 to the overall gross profit margin of 16.5% for the Reporting Period.

Other income

Other income increased from approximately RMB1.8 million for the six months ended 30 June 2021 to approximately RMB4.7 million for the Reporting Period, which was mainly due to the increase of sundry income for the Reporting Period.

Net other gain

The Group recorded a net other gain of approximately RMB0.4 million during the Reporting Period as compared with a net other loss of approximately RMB2.5 million for the six months ended 30 June 2021, which was primarily caused by the exchange loss of approximately RMB3.4 million for the six months ended 30 June 2021.

Marketing and promotion expenses

Marketing and promotion expenses for the Reporting Period was approximately RMB0.3 million, representing a decrease of 86.2% from approximately RMB2.50 million for the six months ended 30 June 2021, which was mainly caused by the tightened cost control.

Administrative expenses

Administrative expenses of the Group for the Reporting Period amounted to approximately RMB15.9 million, representing a decrease of 34.3% from approximately RMB24.1 million for the six months ended 30 June 2021, which was mainly caused by the tightened cost control.

Finance costs

Finance costs was approximately RMB13.5 million for the Reporting Period, representing a decrease of 22.3% as compared with that of the corresponding period last year.

Income tax expense

Income tax expense increased from approximately RMB4.9 million for the corresponding period in 2021 to approximately RMB9.7 million for the Reporting Period.

Loss for the period

As a combined effect of the above, the loss for the Reporting Period was approximately RMB5.9 million as compared with a profit of approximately RMB176.3 million for the same period in 2021.

Earnings per share

Loss per share for the Reporting Period was about RMB0.01 as compared with a earnings per share of RMB0.13 for the same period of last year.

Financial position

As at 30 June 2022, total equity of the Group amounted to approximately RMB1,154.8 million (31 December 2021: approximately RMB1,160.7 million).

The Group's net current liabilities as at 30 June 2022 amounted to approximately RMB169.7 million (31 December 2021: approximately RMB194.4 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 30 June 2022 was 0.78 (31 December 2021: 0.76).

Liquidity and financial resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and improve the usage efficiency of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in Renminbi and Hong Kong dollars. Included in net current assets were cash and various bank deposits totaling approximately RMB28.2 million as at 30 June 2022 (31 December 2021: RMB32.1 million).

The Group's trade receivables as at 30 June 2022 decreased by 0.2% from approximately RMB473.5 million as at 31 December 2021 to approximately RMB472.4 million.

As at 30 June 2022, total liabilities of the Group were approximately RMB1,047.0 million, representing a decrease of about 5.6% as compared with that for the corresponding period last year. The Group's gearing ratio (calculated by interest bearing instruments (including bank borrowings, other borrowings and bonds payable) divided by total equity) was 39.4% (31 December 2021: 46.1%). The decrease in gearing ratio was primarily due to the repayment of bank borrowings and other borrowings during the Reporting Period.

Capital structure of the Group

The capital structure of the Group consists of debts, which include amounts due to non-controlling interests of a subsidiary, bank borrowings, other borrowings and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

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

Share consolidation

On 9 March 2021, every two issued and unissued Shares of HK\$0.10 each were consolidated into one consolidated Share of HK\$0.20. The authorised share capital of the Company became HK\$1,000,000,000 divided into 5,000,000,000 Shares of HK\$0.20 each, of which 995,641,500 consolidated Shares were in issue.

As at 30 June 2022, the total number of Shares in issue was 1,503,881,500.

Issue of consolidated shares and use of proceeds

Pursuant to a subscription agreement dated 14 January 2021 entered into between the Company and Mr. Liu Kaijin, the substantial shareholder of the Company, the Company issued and allotted 508,240,000 consolidated shares, representing approximately 33.80% of the issued share capital of the Company as at the date of this announcement, at a price of HK\$0.20 per consolidated share on 30 March 2021. The gross proceeds and net proceeds of the subscription were approximately HK\$101.6 million and approximately HK\$99.6 million respectively. The Company fully utilised the amount of the net proceeds in accordance with such intended purposes as previously disclosed by the Company. The net proceeds of approximately HK\$98.4 million from the subscription was used to fully redeem the Bonds and the remaining balance of approximately HK\$1.2 million was used as general working capital of the Company.

Risk management policies

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

As most of the Group's trading transactions, monetary assets and liabilities were denominated mainly in Renminbi, which was the Group's functional and reporting currencies, and save for the Bonds and certain bank borrowings and balances denominated in United States dollars and Hong Kong dollars, the foreign exchange gain recognised for the Reporting Period was approximately RMB0.02 million (30 June 2021: approximately RMB3.4 million). The Group is giving full attention to respond to the related foreign exchange rate risks.

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

Charge over assets of the Group

As at 30 June 2022, the Group's bank borrowings were secured by charges over certain dredgers and land owned by the Group, a property owned by a company which Mr. Liu has beneficial interest, and personal guarantees by Mr. Liu Kaijin and Ms. Zhou Shuhua. There were also intra-group charges between two of the Company's wholly-owned subsidiaries as a result of the contractual arrangements, pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu Holdings Group Limited* (江蘇興宇控股集團有限公司) have been transferred to Jiangsu Xiangyu Port Construction Project Administration Company Limited* (江蘇翔宇港建工程管理有限公司).

Material acquisitions and disposals

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

Capital commitments and contingent liabilities

As at 30 June 2022, the Group had capital commitments of approximately RMB73.6 million (31 December 2021: approximately RMB80.7 million) which mainly included the construction cost of the hotel.

As at 30 June 2022, the Group did not have any material contingent liability (31 December 2021: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had a workforce of 485 employees (31 December 2021: 479). Total staff cost for the Reporting Period was approximately RMB30.6 million (30 June 2021: approximately RMB28.4 million). The Group's remuneration policy is basically determined by the Directors, based on the performance of individual employees and the market conditions. In addition to salaries and discretionary bonuses, employee benefits included pension contributions and options which may be granted under the share option scheme.

PROSPECTS

Although the COVID-19 pandemic continued, with vaccination programs rolling out in many parts of the world, the global market showed signs of stabilisation, and the economy gradually recovered. For the projects in mainland China, it is expected that the performance of these projects will generally remain stable with the outstanding control of the pandemic in mainland China. In addition, the Group adopted various measures to ensure stability, including the stability of construction team and management team, the stability of work on hand and projects followed up, the stability of existing equipment upgrading and new equipment investment, etc.

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, thus enhancing the capital structure of the Group, so as to satisfy, support and meet the Group's business development.

INTERIM DIVIDEND

The Directors have determined that no dividend will be paid in respect of the Reporting Period (six months ended 30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to high standards of corporate governance. The Directors believe that the Company has complied with all the applicable code provisions of the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules for the Reporting Period and there was no material deviation from the CG Code.

AUDIT COMMITTEE AND REVIEW OF UNAUDITED FINANCIAL STATEMENTS

Members of the audit committee of the Company (the “Audit Committee”) as at 30 June 2022 comprised Mr. Chan Ming Sun Jonathan (chairman), Mr. Huan Xuedong and Mr. Liang Zequan, all of whom are independent non-executive Directors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group, financial reporting matters including a review of the unaudited consolidated results for the Reporting Period prior to recommending them to the Board for approval.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.cdep.com.hk) and the Stock Exchange (www.hkexnews.hk). An interim report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

By order of the Board

China Dredging Environment Protection Holdings Limited

Liu Kaijin

Chairman and Executive Director

Hong Kong, 31 August 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; and 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*