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 2024

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 2024 (the "Reporting Period"), together with the comparative figures 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 2024

		Six months ended 30 June	
		2024	2023
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*4*	**164,089**	220,691
Operating cost		**(145,331)**	(147,035)
Gross profit		**18,758**	73,656
Other income		**5,548**	4,601
Other gains and losses, net	*6*	**465**	1,509
Marketing and promotion expenses		**(97)**	(92)
Administrative expenses		**(27,589)**	(22,334)
Share of results of an associate		**(23)**	185
Finance costs		**(11,946)**	(12,590)

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

For the six months ended 30 June 2024

	Notes	Six months ended 30 June **2024** ***RMB'000*** **(Unaudited)**	 2023 *RMB'000* (Unaudited)
(Loss) profit before tax		**(14,884)**	44,935
Income tax expense	*7*	**(4,571)**	(19,949)
(Loss) profit and total comprehensive (expense) income for the period	*8*	**(19,455)**	24,986
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
– Owners of the company		**(31,522)**	(4,960)
– Non-controlling interests		**12,067**	29,946
		(19,455)	24,986
Loss per share for the period	*9*		
– Basic and diluted (RMB cents)		**(2.10)**	(0.33)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	**As at 30 June 2024** *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*11*	**878,910**	922,160
Right-of-use assets		**43,557**	44,685
Investment properties		**278,431**	278,431
Goodwill		**201**	201
Interest in an associate		**3,815**	3,838
Equity instruments at fair value through other comprehensive income		**6,000**	6,000
Contract assets		**1,952**	1,942
		1,212,866	1,257,257
Current assets			
Trade and other receivables and prepayments	*12*	**352,250**	341,278
Contract assets		**2,998**	2,998
Bank balances and cash		**24,950**	32,508
		380,198	376,784
Current liabilities			
Trade and other payables	*13*	**431,453**	415,742
Contract liabilities		**11,740**	6,618
Amounts due to directors of the Company		**84,717**	87,944
Amounts due to non-controlling shareholders of a subsidiary		**842**	3,192
Tax payable		**54,684**	65,051
Bank borrowings	*14*	**188,300**	196,200
Other borrowings		**59,541**	54,138
Lease liabilities		**765**	847
		832,042	829,732
Net current liabilities		**(451,844)**	(452,948)
Total assets less current liabilities		**761,022**	804,309

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2024

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Capital and reserves			
Share capital	*15*	**255,247**	255,247
Reserves		**162,241**	193,763
Equity attributable to owners of the Company		**417,488**	449,010
Non-controlling interests		**173,040**	168,917
Total equity		**590,528**	617,927
Non-current liabilities			
Amounts due to non-controlling shareholders of a subsidiary		**55,947**	56,177
Deferred tax liabilities		**11,122**	11,620
Other borrowings		**103,425**	118,234
Lease liabilities		**–**	351
		170,494	186,382
		761,022	804,309

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

China Dredging Environment Protection Holdings Limited (the "Company") was incorporated as an exempted company with limited liability under the Companies Act of 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") and Ms. Zhou Shuhua ("Ms. Zhou"), spouse of Mr. Liu. Ms. Zhou is the executive director and Chairlady 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 D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Going concern assessment

As at 30 June 2024, the Group had net current liabilities of approximately RMB451,844,000 (31 December 2023: RMB452,948,000) and bank and other borrowings amounted to approximately RMB188,300,000 and RMB59,541,000 (31 December 2023: RMB196,200,000 and RMB54,138,000), respectively which will fall due within twelve months from the date of 30 June 2024.

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 condensed consolidated financial statements, the directors of the Company (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 condensed 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 RMB78,467,000, 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 2024; 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 2024;

2) The Directors consider that the banks and lender will agree to renew the bank borrowings of approximately RMB188,300,000 and other borrowings of approximately RMB59,541,000, respectively which will be mature within the next twelve months from 30 June 2024;

3) The Group is continuously seeking for additional sources of financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures; 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.

This interim financial results contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

Other than the changes of accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
HK Int 5 (revised)	Hong Kong Interpretation 5 (Revised Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause)

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	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers by categories		
Capital and Reclamation Dredging Business	**7,714**	20,948
Environmental Protection Dredging and Water Management Business	**265**	3,474
Other Marine Business	**152,122**	191,822
Property Management Business	**3,988**	4,447
	164,089	220,691
Timing of revenue recognition		
Over time	**164,089**	220,691

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.

5. SEGMENT INFORMATION (Continued)

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 2024

	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 revenue					
External sales	7,714	265	152,122	3,988	164,089
Segment results	(33,572)	(13,855)	51,911	2,954	7,348
Share of results of an associate					(23)
Unallocated other income, gains and losses, net					6,013
Unallocated corporate expenses					(21,235)
Unallocated finance costs					(7,077)
Loss before tax					(14,884)

5. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 June 2023

	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 revenue					
External sales	20,948	3,474	191,822	4,447	220,691
Segment results	(23,300)	(657)	88,602	1,186	65,831
Share of results of an associate					185
Unallocated other income, gains and losses, net					3,909
Unallocated corporate expenses					(18,991)
Unallocated finance costs					(5,999)
Profit before tax					44,935

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 2024

	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	**338,796**	**290,312**	**627,641**	**310,060**	**1,566,809**
Unallocated assets:					
Right-of-use assets					**147**
Bank balances and cash					**24,950**
Other corporate assets					**1,158**
Consolidated assets					**1,593,064**

At 31 December 2023

	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	368,189	292,070	628,327	311,460	1,600,046
Unallocated assets:					
Right-of-use assets					365
Bank balances and cash					32,508
Other corporate assets					1,122
Consolidated assets					1,634,041

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	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**161,090**	208,761
Other regions	**2,999**	11,930
	164,089	220,691

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 properties and other intangible assets are located/registered in Mainland China.

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	**–**	(1)
Gain on restructuring of trade payable *(Note 13)*	**–**	2,202
Exchange gains and losses, net	**465**	(692)
	465	1,509

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax ("EIT")	**5,069**	20,675
Deferred taxation		
– Current period	**(498)**	(726)
	4,571	19,949

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	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	**380**	334
Other staff costs	**24,518**	36,840
Retirement benefit scheme contributions	**1,047**	2,014
Total staff costs	**25,945**	39,188
Gross rental income from investment properties	**(3,988)**	(4,447)
Less: Direct operating expenses incurred for investment properties that generated rental income during the period	**52**	61
Direct operating expenses incurred for investment properties that did not generate rental income during the period	**18**	31
	(3,918)	(4,355)
Depreciation of property, plant and equipment	**44,144**	47,120
Depreciation of right-of-use assets	**781**	1,128
Loss on disposal of property, plant and equipment, net	**–**	(1)
Operating costs	**145,331**	147,035

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(31,522)**	(4,960)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,503,882**	1,503,882

As at 30 June 2024 and 30 June 2023, the Group did not have any potential ordinary shares.

10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2024 and 30 June 2023, nor has any dividend been proposed since the end of the reporting period.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group has no addition or disposal during the period.

During the six months ended 30 June 2023, the Group disposed of certain plant and equipment with an aggregate carrying amount of RMB4,000 for cash proceeds of RMB3,000, resulting in a loss on disposal of RMB1,000.

During the six months ended 30 June 2023, the Group had purchased property, plant and equipment of RMB622,000.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Notes	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Trade receivables	*(i)*		
– Contracts with customers		**1,435,467**	1,434,082
– Operating leases receivables		**13,568**	13,621
Less: Allowance for credit losses		**(1,221,411)**	(1,221,411)
		227,624	226,292
Bills receivable		**34,330**	30,003
Value-added tax recoverable	*(ii)*	**15,849**	16,694
Other prepayments	*(iii)*	**39,432**	36,368
Deposits		**13,143**	13,345
Loans to investees	*(iv)*	**16,910**	16,602
Other receivables		**4,962**	1,974
		352,250	341,278

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 ageing 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.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes: (Continued)

(i) Trade receivables (Continued)

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.

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

The ageing 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 2024	At 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–30 days	**50,655**	43,226
61–90 days	**14,004**	24,545
91–180 days	**65,879**	20,834
181–365 days	**13,356**	35,931
1 year–2 years	**17,869**	48,984
Over 2 years	**65,861**	52,772
	227,624	226,292

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.

During the six months ended 30 June 2023, trade receivables of RMB39,053,000, net of allowance of RMB2,202,000 was transferred to creditors to set-off payable for trade payable of RMB39,053,000 and details of which are set out in Note 13.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes: (Continued)

(ii) Value-added tax recoverable ("VAT")

VAT paid of approximately RMB15,849,000 (31 December 2023: RMB16,694,000) 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) Other prepayments

As at 30 June 2024, the Group's other prepayments is paid for the chartering cost, docking costs and fuel cost for both PRC and overseas projects.

(iv) Loans to investees

During the year, the Group had provided shareholder loans amounted to RMB7,135,000 and RMB9,775,000 to Jiangsu Longxiang Harbour PRC Engineering Company Limited and Unlisted Entity for daily operation and construction of a vessel, respectively. The interest rate would be reviewed each year, repayable on demand and non-secured.

13. TRADE AND OTHER PAYABLES

	At 30 June 2024 *RMB'000* (Unaudited)	At 31 December 2023 *RMB'000* (Audited)
Trade payables	**161,482**	180,361
Other payables		
Payable for construction cost of investment properties *(note below)*	**70,973**	70,973
Accrued for other taxes	**63,543**	51,147
Accrued for staff salaries and welfare	**39,753**	32,357
Others	**95,702**	80,904
	269,971	235,381
	431,453	415,742

Note: As at 30 June 2024, based on invoice date, other payables for construction cost for investment properties of approximately RMB70,973,000 (31 December 2023: RMB70,973,000) has been due for over 1 year.

During the six months ended 30 June 2023, pursuant to an agreement between the Company, certain customers and creditors, trade receivable of RMB39,053,000, net of allowance of RMB2,202,000 was applied to set-off for trade payable of RMB39,053,000, resulting in a gain of RMB2,202,000 which was charged to the profit or loss for the year (see Note 6).

13. TRADE AND OTHER PAYABLES (Continued)

The ageing analysis of the Group's trade payables presented based on the recognition 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 2024 *RMB'000* **(Unaudited)**	At 31 December 2023 *RMB'000* (Audited)
0–30 days	**65,283**	11,507
31–60 days	**15,407**	2,713
61–90 days	**13,004**	4,440
91–180 days	**40,935**	874
Over 180 days	**26,853**	160,827
	161,482	180,361

14. BANK BORROWINGS

During the current interim period, the Group raised bank loans of RMB145,100,000 (31 December 2023: RMB166,300,000) and repaid bank loans of RMB153,000,000 (31 December 2023: RMB179,200,000). As at 30 June 2024, the effective interest rates of the bank borrowings ranged from 4.50% to 6.80% (31 December 2023: 4.50% to 6.80%) per annum.

15. SHARE CAPITAL

	Number of shares at HK$0.2 each ***'000***	**Amount** ***HK$'000***	**RMB equivalent amount** ***RMB'000***
Authorised			
As at 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	5,000,000	1,000,000	N/A
Issued and fully paid			
Balance at 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	1,503,882	300,776	255,247

There were no movements of the Company's share capital for the six months ended 30 June 2024 and 2023.

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 RMB19.5 million, as compared to a profit of approximately RMB25 million for the first half of the year 2023. The loss attributable to the shareholders of the Company was approximately RMB31.5 million.

BUSINESS REVIEW

The Group's core business, the CRD Business, continued to face significant challenges during the Reporting Period. The execution and management of both domestic and overseas construction projects did not proceed as anticipated, resulting in poor performance for the CRD Business. In comparison to the same period in 2023, the segment revenue for the CRD Business experienced a significant decline of approximately 63.2%.

Despite these difficulties, the Group remains committed to actively seeking opportunities in dredging projects within the Southeast Asia region and the Belt and Road countries. By doing so, the Group hopes to capitalize on the growth prospects available in these markets and improve the performance of the CRD Business going forward.

The EPD and Water Management Business recorded a very poor performance resulting a significant decrease in revenue during the Reporting Period as compared with the corresponding period of 2023. The development of the EPD and Water Management Business in the second half of the year is still relatively unstable.

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 fierce market competition, the Group experienced a significant contraction in its Other Marine Business, leading to a decrease in revenue from approximately RMB191.8 million for the first half of the year 2023 to approximately RMB152.1million during the Reporting Period.

With a gross floor area of 75,600 square meters for commercial leasing under the Property Management business, Xingyu International Houseware Plaza 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. The revenue generated from the Group's Property Management Business during the Reporting Period decreased as compared with the same period of last year. This decline was driven by insufficient domestic market demand, which has resulted in ongoing weakness in the commercial leasing market.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately RMB164.1 million, representing a decrease of 26% as compared with approximately RMB220.7 million in the corresponding period of 2023.

Regarding the CRD Business segment, the revenue generated during the Reporting Period was approximately RMB7.7 million which represented a decrease of 63.2% from the corresponding segment's revenue in the corresponding period of 2023. The decrease in revenue generated from the CRD Business segment was primarily due to the drop of number of projects implemented in mainland China and overseas during the Reporting Period.

Regarding the EPD and Water Management Business segment, the revenue generated during the Reporting Period was approximately RMB0.3 million which represented a decrease of 91.4% as compared with the corresponding segment's revenue in the same period of 2023. The decrease in revenue was attributable to the significant and sharp decrease in the number of projects implemented during the Reporting Period.

Other Marine Business contributed a revenue of approximately RMB152.1 million to the Group for the Reporting Period, which represented a decrease of 20.7% as compared with the corresponding segment's revenue in the same period of 2023. The decrease in revenue was due to contraction of business attributable to the intensive market competition.

The revenue of the Property Management Business for the Reporting Period was approximately RMB4 million, which represented a decrease of 10% as compared with approximately RMB4.4 million in the corresponding period of 2023.

Operating costs and gross (loss) profit

The Group's operating costs decreased by 1.2% from approximately RMB147 million for the six months ended 30 June 2023 to approximately RMB145.3 million for the Reporting Period.

The Group's gross profit decreased by 74.5% from approximately RMB73.7 million for six months ended 30 June 2023 to approximately RMB18.8 million for the Reporting Period.

The Group recorded segment gross losses of RMB33,572,000 and RMB13,855,000 for the Reporting Period for the CRD Business and EPD and Water Management Business, respectively. The main cause of the gross losses was that the revenue generated during the Reporting Period was insufficient to cover the costs, mainly represented depreciation of dredgers and vessels.

The segment gross profit margin of the Other Marine Business decreased from 46.2% for the six months ended 30 June 2023 to 34.1% for the Reporting Period. The primary reason for the decrease in the segment's gross profit margin was the drop of revenue.

The segment gross profit of the Property Management Business increased from RMB1,186,000 for the six months ended 30 June 2023 to RMB2,954,000 for the Reporting Period.

As a result, the overall gross profit margin of the Group decreased from 33.4% for the six months ended 30 June 2023 to the overall gross profit margin of 11.4% for the Reporting Period.

Other income

Other income increased from approximately RMB4.6 million for the six months ended 30 June 2023 to approximately RMB5.5 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 RMB0.5 million during the Reporting Period as compared with a net other gain of approximately RMB1.5 million for the six months ended 30 June 2023, which was primarily caused by the decrease in the gain on restructuring of trade payable for the Reporting Period.

Marketing and promotion expenses

Marketing and promotion expenses for the Reporting Period was approximately RMB0.1 million, which is nearly the same as that for the corresponding period last year.

Administrative expenses

Administrative expenses of the Group for the Reporting Period amounted to approximately RMB27.6 million, representing an increase of 23.5% from approximately RMB22.3 million for the six months ended 30 June 2023, which was mainly caused by combined effect of the increase in fixed operating overhead, travelling expenses and entertainment to identify potential client and the increase in depreciation on fixed assets including office building and relevant equipment.

Finance costs

Finance costs was approximately RMB11.9 million for the Reporting Period, representing a decrease of 5.5% as compared with that of the corresponding period last year.

Income tax expense

Income tax expense decreased from approximately RMB19.9 million for the corresponding period in 2023 to approximately RMB4.6 million for the Reporting Period.

Loss for the period

As a combined effect of the above, the loss for the Reporting Period was approximately RMB19.5 million as compared with a profit of approximately RMB25 million for the same period in 2023.

Loss per share

Loss per share for the Reporting Period was about RMB2.1 cents as compared with a loss per share of about RMB0.33 cents for the same period of last year.

Financial position

As at 30 June 2024, total equity of the Group amounted to approximately RMB590.5 million (31 December 2023: approximately RMB617.9 million).

The Group's net current liabilities as at 30 June 2024 amounted to approximately RMB451.8 million (31 December 2023: approximately RMB452.9 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 30 June 2024 was 0.46 (31 December 2023: 0.45).

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 RMB25 million as at 30 June 2024 (31 December 2023: RMB32.5 million).

The Group's trade receivables as at 30 June 2024 increased by 1% from approximately RMB227.6 million as at 31 December 2023 to approximately RMB226.3 million.

As at 30 June 2024, total liabilities of the Group were approximately RMB1,002.5 million, representing a decrease of about 2.2% as compared with that for the corresponding period last year. The Group's gearing ratio (calculated by interest bearing instruments (including bank borrowings and other borrowings) divided by total equity) was 42% (31 December 2023: 59.7%). 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. Based on the recommendations of the Directors, the Group will review its overall capital structure and take professional advice on relevant corporate finance actions for the improvement of the Group's available cashflow for grasping business expansion and development opportunities, including but not limited to implementing appropriate capital reorganisation. If and when the Company determines that any such actions should proceed, the Company will make further announcement(s) in accordance with the requirements of the Listing Rules as and when appropriate.

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 certain bank borrowings and balances denominated in United States dollars and Hong Kong dollars, the foreign exchange gains recognised for the Reporting Period was approximately RMB0.5 million (30 June 2023: losses of approximately RMB0.7 million). The Group is giving full attention to respond to the related foreign exchange rate risks.

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 2024, 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 Kaijin 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, the Group had no material investment, acquisition or disposal, and had no definite plan for any material investment or acquisition of capital assets.

Capital commitments and contingent liabilities

As at 30 June 2024, the Group had capital commitments of approximately RMB73.6 million (31 December 2023: approximately RMB73.6 million) which mainly included the construction cost of the hotel.

As at 30 June 2024, the Group did not have any material contingent liability (31 December 2023: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had a workforce of 419 employees (31 December 2023: 443). Total staff cost for the Reporting Period was approximately RMB25.9 million (30 June 2023: approximately RMB39.2 million). The staff costs during the Reporting Period decreased by approximately RMB 13.3 million as compared to the same period in 2023. This was due to the absence of additional payments for deferred wages caused by the pandemic, which had led to an overall increase in salary costs during the same period last year. 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

In response to a complex and ever-changing environment, the Group will strengthen its strategies to stabilize income and promote growth. Along with ensuring a skilled construction and management team, the Group will aim to boost operational capacity and expand its business scope as needed, enhancing both competitiveness and profitability.

In terms of capital operation, the Group will actively identify and implement sound and feasible financial plans based on the progress of overseas projects and the business development and expansion opportunities. This approach aims to enhance the Group's capital structure (including but not limited to implementing appropriate capital reorganisation), thereby supporting and meeting the business development needs of the Group.

INTERIM DIVIDEND

The Directors have determined that no dividend will be paid in respect of the Reporting Period (six months ended 30 June 2023: 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 (including sale of treasury shares (within the meaning under the Listing Rules)).

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 as set out in Part 2 of the Corporate Governance Code ("CG Code") contained in Appendix C1 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 2024 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 D2 to the Listing Rules will be despatched to shareholders of the Company (if necessary) and available on the above websites in due course.

By order of the Board
China Dredging Environment Protection Holdings Limited
Zhou Shuhua
Chairlady and Executive Director

Hong Kong, 30 August 2024

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

* *for identification purpose only*