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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 2020

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 2020 (the "Reporting Period"), together with the unaudited comparative figures for the six months ended 30 June 2019 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 2020

		Six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*4*	**119,935**	270,433
Operating costs		**(134,506)**	(239,952)
Gross (loss)/profit		**(14,571)**	30,481
Other income		**106**	1,192
Other gains and losses, net		**(2,838)**	(709)
Marketing and promotion expenses		**(2,556)**	(2,628)
Administrative expenses		**(27,466)**	(26,168)
Finance costs		**(25,862)**	(25,311)

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

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Loss before tax		**(73,187)**	(23,143)
Income tax expense	6	**(490)**	(2,110)
Loss and total comprehensive expense for the period	7	**(73,677)**	(25,253)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		**(74,083)**	(27,030)
Non-controlling interests		**406**	1,777
		(73,677)	(25,253)
Loss per share	8		
— basic (RMB cents)		**(4.16)**	(1.5)
— diluted (RMB cents)		**(4.16)**	(1.5)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**1,333,033**	1,385,482
Right-of-use assets		**92,568**	94,591
Investment properties		**464,500**	464,500
Goodwill		**201**	201
Other intangible assets		**3,583**	3,750
Deposit paid for acquisition of property, plant and equipment		**28,329**	8,421
Trade and other receivables due after one year	*10*	**2,394**	2,338
Contract assets		**12,616**	11,613
		1,937,224	1,970,896
Current assets			
Trade and other receivables	*10*	**781,653**	863,660
Contract assets		**245**	—
Bank balances and cash		**25,968**	12,612
		807,866	876,272
Current liabilities			
Trade and other payables	*11*	**331,806**	377,939
Amounts due to directors of the Company		**28,600**	11,334
Amounts due to non-controlling interests of a subsidiary		**3,440**	3,060
Tax payable		**101,745**	105,952
Bank borrowings	*12*	**295,000**	297,000
Other borrowings		**51,200**	54,090
Bonds payable	*13*	**309,739**	286,804
Contract liabilities		**37,029**	22,010
Lease liabilities		**1,295**	1,263
		1,159,854	1,159,452
Net current liabilities		**(351,988)**	(283,180)
Total assets less current liabilities		**1,585,236**	1,687,716

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2020

	At 30 June 2020 *RMB'000* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
Capital and reserves		
Share capital	**150,365**	150,365
Reserves	**1,192,713**	1,266,504
Equity attributable to owners of the Company	**1,343,078**	1,416,869
Non-controlling interests	**140,918**	146,305
Total equity	**1,483,996**	1,563,174
Non-current liabilities		
Amounts due to non-controlling interests of a subsidiary	**60,287**	68,502
Deferred tax liabilities	**16,461**	17,256
Other borrowings	**24,277**	37,915
Lease liabilities	**215**	869
	101,240	124,542
	1,585,236	1,687,716

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

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 ("Listing Rules").

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

Significant events in the current reporting period

Substantially all of the Group's business segments are based in People's Republic of China ("PRC"). In view of the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across PRC, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements. Therefore, the overall financial performance of the Group for the period ended 30 June 2020 was materially affected accordingly.

Given the uncertainties as to the development of the COVID-19 outbreak at present, it is difficult to predict how long these conditions will persist and the extent to which the business of the Group may be affected for the year ending 31 December 2020. The Group will pay close attention to the development of the epidemic and evaluate its impact on the operation and financial position and results of the Group.

2. GOING CONCERN BASIS OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

During the current interim period, the Company had not settled the Bonds as defined in Note 13 when they became due in accordance with the sixth amendment agreement (the "Sixth Amendment Agreement") signed between the Company and CITIC Capital China Assess Fund Limited (the "Bondholder" or "CITIC") on 15 March 2019.

Under the Sixth Amendment Agreement, the Company needs to repay the principal amount of the Bonds of approximately HK$319,483,000 (equivalent to approximately RMB285,890,000) together with the accrued interest on 20 December 2019 (the "Maturity Date"). As at 30 June 2020, the total amount remained unsettled, including the accrued interest, amounting to approximately HK$339,521,000 (equivalent to approximately RMB309,739,000).

Up to the date when the condensed consolidated financial statements are authorised for issue, the Company had not settled the Bonds and accrued interest when the Bonds fell due for repayment on the Maturity Date and remained overdue for repayment.

Up to the date when the condensed consolidated financial statements are authorised for issue, the Group is taking steps to discuss with the holder of the Bond about the redemption arrangement.

The Group had net current liabilities of approximately RMB351,988,000 at 30 June 2020 and incurred a loss of approximately RMB73,677,000 for the period then ended. In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group.

2. GOING CONCERN BASIS OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. Nevertheless, the condensed consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern as the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 30 June 2020, after taking into consideration of the following:

(1) 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;

(2) Since most of the bank borrowings as at 30 June 2020 of RMB295,000,000 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) As at 30 June 2020, the Group has unutilised banking facilities of RMB5,000,000 which will be available for use by the Group in the next twelve months; and

(4) The Company will exercise its endeavour to reach an acceptable redemption arrangement with the Bondholder. Up to the date when the condensed consolidated financial statements are authorised for issue, the Bondholder has not taken any action against the Group to request immediate repayment and the Company has continued discussions with the Bondholder in relation to settlement or any another arrangement concerning the Bonds.

On the basis of the above considerations, the Directors believe that the Group can satisfy its financial obligations in the foreseeable future and accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values, as appropriate.

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 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and 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 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Prepayment Features with Negative Compensation
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

3.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

4. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Segments		
Capital and Reclamation Dredging Business	**29,035**	80,695
Environment Protection Dredging and Water Management Business	**3,304**	29,550
Other Marine Business	**83,447**	155,610
Property Management Business	**4,149**	4,578
	119,935	270,433
Timing of revenue recognition		
At point in time	**—**	—
Over time	**119,935**	270,433
Total	**119,935**	270,433

Geographical information

The Group's operations are located in the PRC. All provisions of services are carried out in the PRC.

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. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Details of the Group's four reportable 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 of leasing of a shopping mall and the construction of a hotel by the Group.

5. SEGMENT INFORMATION (Continued)

Segment results

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

	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)
Six months ended 30 June 2020					
Segment revenue	**29,035**	**3,304**	**83,447**	**4,149**	**119,935**
Segment results	**(33,425)**	**778**	**1,735**	**1,605**	**(29,307)**
Unallocated other income					**46**
Unallocated other gains and losses, net					**(2,838)**
Unallocated corporate expenses					**(19,224)**
Unallocated finance costs					**(21,864)**
Loss before tax					**(73,187)**

	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)
Six months ended 30 June 2019					
Segment revenue	80,695	29,550	155,610	4,578	270,433
Segment results	(1,067)	10,247	6,401	1,438	17,019
Unallocated other income					74
Unallocated other gains and losses					(826)
Unallocated corporate expenses					(18,064)
Unallocated finance costs					(21,346)
Loss before tax					(23,143)

5. **SEGMENT INFORMATION (Continued)**

Segment results (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 to the condensed consolidated financial statements.

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

Segment assets

	Capital and reclamation dredging business	Environmental protection dredging and water management business	Other marine business	Property management business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2020					
Segment assets	**1,192,470**	**380,375**	**459,028**	**642,842**	**2,674,715**
At 31 December 2019					
Segment assets	1,247,701	403,635	520,469	632,844	2,804,649

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax		
PRC Enterprise Income Tax ("EIT")	**1,285**	2,920
Deferred taxation	**(795)**	(810)
	490	2,110

(i) PRC EIT

PRC EIT is calculated at the statutory rate of 25% of the assessable profits for both periods.

(ii) Hong Kong Profits Tax

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 Group had no assessable profits arising in or derived from Hong Kong for both periods.

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**52,154**	53,069
Depreciation of right-of-use assets	**2,023**	2,003
Amortisation of other intangible assets	**167**	167
Sub-contracting charges included in operating costs	**36,562**	137,718
Gross rental income from investment properties	**(4,149)**	(4,578)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**169**	272
Direct operating expenses incurred for investment properties that did not generate rental income during the year	**39**	68
	(3,941)	(4,238)

8. 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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(74,083)**	(27,030)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,782,366**	1,773,664

The weighted average number of shares for the purposes of basic earnings per share for both periods were calculated based on the weighted average number of shares in issue during both periods. The computation of diluted loss per share for the period ended 30 June 2020 does not assume the exercise of share options since the assumed exercise would result in a decrease in loss per share.

9. DIVIDENDS

No dividends were paid, declared or proposed during both periods. The directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2019: nil).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 *RMB'000* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
Non-current:		
Value-added tax recoverable	**2,394**	2,338
Current:		
Trade receivables	**1,689,556**	1,766,712
Less: Allowance for credit losses	**(989,153)**	(989,153)
Trade receivable, net of expected credit losses	**700,403**	777,559
Bills receivable	**3,890**	7,472
Government financial incentive receivables	**4,671**	14,636
Deposits and prepayments	**64,579**	55,343
Others	**8,110**	8,650
	781,653	863,660
	784,047	865,998

Notes:

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.

10. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

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

Aged analysis of the Group's trade receivables

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–30 days	**51,002**	62,555
31–60 days	**19,447**	45,113
61–90 days	**14,339**	4,110
91–180 days	**28,948**	23,492
181–365 days	**60,266**	123,490
1 year–2 years	**135,409**	224,859
Over 2 years	**390,992**	293,940
	700,403	777,559

The aged analysis of the Group's bills receivable, presented based on the relevant dates of certification of work, at the end of each reporting period is as follows:

Aged analysis of the Group's bills receivable

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–30 days	**—**	590
31–60 days	**—**	2,150
61–90 days	**150**	—
91–180 days	**3,740**	4,030
Over 180 days	**—**	702
	3,890	7,472

11. TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Trade payables		
Sub-contracting charge	**92,001**	124,581
Fuel cost	**2,586**	2,757
Repair and maintenance	**13,578**	16,869
Others	**17,017**	7,933
	125,182	152,140
Other payables		
Payable for construction cost of investment properties	**73,945**	82,640
Accrued for other taxes	**60,874**	60,339
Accrued for staff salaries and welfare	**34,438**	40,807
Payable for share placings *(Note)*	**6,984**	—
Others	**30,383**	42,013
	206,624	225,799
	331,806	377,939

The aged analysis of the Group's trade payables presented based on the invoice dates, 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 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
0–30 days	**4,943**	6,100
31–60 days	**1,160**	4,528
61–90 days	**2,009**	586
91–180 days	**15,990**	8,993
Over 180 days	**101,080**	131,933
	125,182	152,140

Note: Payable for share placings amounted to RMB6,984,000 is the net proceeds received from a subscriber, an independent third party of the Company, in relation to the Company's announcements dated on 7 April 2020 and 24 April 2020 for subscription of shares and completion of the subscription of shares respectively.

12. BANK BORROWINGS

During the current interim period, the Group raised bank loans of RMB208,000,000 (31 December 2019: RMB418,000,000) and repaid bank loans of RMB210,000,000 (31 December 2019: RMB445,670,000). As at 30 June 2020, the effective interest rates of the bank borrowings ranged from 4.71% to 8.05% (31 December 2019: 4.57% to 7.61%) per annum.

13. BONDS PAYABLE

The Company issued unsecured convertible bonds (the "Bonds") to CITIC at a total nominal value of HK$243,000,000 (equivalent to RMB191,970,000) on 8 November 2013, carrying an interest rate of 3% per annum with the maturity date of 7 November 2016 (the "Original Maturity Date"). The Bondholder had the option to either convert them into the Company's ordinary shares at a conversion price of HK$2.7 per share, subject to anti-dilutive adjustments, at any time after six months from the date of issue and up to the Original Maturity Date, or to require the Company to redeem them at 133.792% of the nominal value of the Bonds, which amounted to HK$325,115,000 (equivalent to RMB290,818,000) (the "Original Redemption Amount"), upon maturity. The Company had no right to early redeem the Bonds.

At the time when the Bonds were issued, the Bonds were analysed by the management of the Group to contain two components, the host debt component and the conversion option. The Bonds are denominated in Hong Kong Dollar ("HK$"), which is a currency other than the Company's functional currency. Therefore, the conversion option in the Bonds would not result in an exchange of a fixed number of the Company's own equity instrument for a fixed amount of cash in the functional currency of the Company. Accordingly, the conversion option was accounted for separately as a derivative liability, which was not closely related to the host debt component. The fair values of the debt component and the derivative component were determined at the date of issue. Subsequent to initial recognition, the debt component was carried at amortised cost while the derivative component was measured at fair value, with changes in fair value recognised in profit or loss. The effective interest rate of the debt component was 16.9%.

The Group had not paid the Original Redemption Amount and the last interest payment on the Original Maturity Date to CITIC. Overdue interest of HK$945,000 (equivalent to RMB840,000) was incurred. During the year ended 31 December 2016, the Company and CITIC entered into a framework agreement on 14 November 2016 and a standstill and amended agreement and supplemental deed to the original deed poll regarding the Bonds (the "Amendment Agreement") on 15 December 2016, pursuant to which CITIC agreed to a) extend the maturity from the Original Maturity Date to 14 March 2017 and b) reduce the principal amount of Original Redemption Amount to HK$275,415,000 (equivalent to RMB246,381,000), subject to certain conditions as stated in the Amendment Agreement.

Furthermore, the conversion option under the Bonds was removed under the Amendment Agreement. Accordingly, no embedded derivative was recognised at 31 December 2016 and at the end of subsequent accounting periods.

On 21 March 2017, 5 June 2017, 21 September 2017, 23 January 2018 and 15 March 2019, the Company and CITIC had entered into the second amendment agreement, the third amendment agreement, the fourth amendment agreement, the fifth amendment agreement and the Sixth Amendment Agreement. On 15 March 2019, the Company and CITIC entered into the Sixth Amendment Agreement to amend the original maturity date to 20 December 2019. During the current interim period, the Group has settled nil (31 December 2019: HK$6,838,000 (equivalent to RMB6,030,000)) to CITIC.

13. BONDS PAYABLE (Continued)

Based on the Sixth Amendment Agreement, the Company needed to repay the Bonds of approximately HK$319,483,000 (equivalent to approximately RMB285,890,000) together with the interest due by 20 December 2019 with interest rate at an amended rate of 13% per annum.

The Company had not repaid the abovementioned amounts in full on 20 December 2019, at which date the total amount outstanding, including the accrued interest amounted to approximately HK$319,483,000 (equivalent to approximately RMB285,890,000). As at 30 June 2020, the total amount outstanding, including the accrued interest rate at 13% per annum amounted to approximately HK$339,521,000 (equivalent to approximately RMB309,739,000).

During the period ended 30 June 2020 and up to the date when the condensed consolidated financial statements are authorised for issue, the Company had not settled the Bonds when the Bonds fell due for repayment on the Maturity Date and remained overdue for repayment.

Up to the date when the condensed consolidated financial statements are authorised for issue, the Bondholder has not taken any action against the Group to request immediate repayment and the Company has continued discussions with the Bondholder in relation to settlement or any another arrangement concerning the Bonds. All operations of the Group remain normal.

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

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

Period	**Interest rate per annum**
From 15 November 2016 and up to 14 December 2016	13%
From 15 December 2016 and up to 14 March 2017	15%
From 15 March 2017 and up to 4 June 2017	18%
From 5 June 2017 and up to 21 June 2017	13%
From 22 June 2017 and up to 21 September 2017	18%
From 22 September 2017 and up to 15 November 2017	13%
From 16 November 2017 and up to 22 January 2018	13%
From 23 January 2018 and up to 21 June 2018	13%
From 22 June 2018 and up to 20 December 2019	13%

Note: The above interest shall accrue on a day to day basis and be calculated on the basis of a 365-day calendar year on revised principal amounts and compounded on a monthly basis.

Under the abovementioned agreements entered into the Company and CITIC, the Bonds are personal guaranteed by Mr. Liu and his spouse Ms. Zhou Shuhua ("Ms. Zhou"), who are the directors of the Company, and equity interests in certain subsidiaries of the company are pledged in favour of CITIC, a dredger and an industrial premises and a residential property owned by the Group included in property, plant and equipment and investment properties with carrying value of RMB237,755,000.

13. BONDS PAYABLE (Continued)

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

	Total
	RMB'000
At 1 January 2019 (audited)	254,916
Interest	32,714
Settlement	(6,030)
Exchange realignment	5,204
At 31 December 2019 (audited)	286,804
Interest	17,378
Settlement	—
Exchange realignment	5,557
At 30 June 2020 (unaudited)	309,739

14. RELATED PARTY DISCLOSURES

(i) Related party transactions

In addition, the Group received other advances from, and made repayments to Mr. Liu during the six months ended 30 June 2020 and 2019. As at 30 June 2020, the amount due to Mr. Liu was RMB24,818,000 (31 December 2019: RMB7,434,000).

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

As at 30 June 2020 and 31 December 2019, other than pledge of assets of the Group, the Group's bank borrowings and bonds payable were also supported by:

(a) corporate guarantee given by Jiangsu Xingyu Holdings Group Limited which is a subsidiary of the Company;

(b) personal guarantees provided by Mr. Liu and Ms. Zhou; and

(c) two properties owned by certain non-controlling shareholders of the Company's subsidiary.

In addition, as at 30 June 2020, the Group's bank borrowings to the extent of RMB81 million (31 December 2019: RMB82 million) was secured by a property owned by a company, which is owned by Mr. Liu.

14. RELATED PARTY DISCLOSURES (Continued)

(iii) Compensation of key management personnel

Details of the emoluments paid or payable to the directors and the chief executive of the Group during the current and previous interim period are as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**950**	984
Post-employment benefits	**—**	—
	950	984

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 ("CRD Business"); (ii) environmental protection dredging and water management business ("EPD and Water Management Business"); and (iii) other works operated in marine sites ("Other Marine Business"). In addition, the Group has set up property management business in respect of the management of Xingyu International Houseware Plaza* (興宇國際家居廣場) (formerly known as Easyhome Yancheng Shopping Mall* 居然之家鹽城店) (the "Property Management Business").

During the Reporting Period, the Group recorded a net loss of approximately RMB73.7 million, as compared to a net loss of approximately RMB25.3 million for the first half of the year 2019. The Company recorded a loss attributable to its shareholders of approximately RMB74.1 million for the Reporting Period.

BUSINESS REVIEW

The CRD Business is the Group's core business. During the Reporting Period, the Group continuously explored overseas markets and actively undertook several dredging projects in Bangladesh, Cambodia and Thailand. The decrease in revenue generated by such business segment was due to: (1) for the domestic construction projects, the outbreak of the COVID-19 in mainland China since January 2020, which directly led to the operation of the construction projects being completely halted; and (2) for the overseas construction projects, apart for the pandemic's impact on mainland China, including the restriction on the movements of personnel and supplies which resulted in multiple interruptions and long-term suspension of construction, the key operation and maintenance personnel for the overseas projects, who were sent from mainland China, being restricted from travelling due to the pandemic. Further, when the outbreak in mainland China came under control, the pandemic in overseas began to grow, resulting in the restriction on the personnel from China to come to the overseas construction sites and the restriction on supplies, as well as the various control and restrictions imposed by the governments of the countries and districts in which the projects are situated.

The EPD and Water Management Business segment is a business that the Group proactively expands and develops. The Group recorded a decrease in revenue during the Reporting Period, which was due to the slow progress in implementing certain environmental protection dredging projects.

Other Marine Business refers to services including installation of wind power generation equipment, bulk material hoisting and installation in dock and bridge construction, underwater pipeline installation and other engineering services. Due to the rapid development of the marine wind power constructions in mainland China, the Group will build a 2300-tonned self-propelled fixed-crane vessel with a total investment cost of RMB230 million, which is expected to be delivered by the end of April next year, in order to grasp more such business opportunities.

The name of Easyhome Yancheng Shopping Mall was changed to Xingyu International Houseware Plaza in April this year. The plaza is located in the core area of Yancheng National High-tech Industrial Development Zone of the government administration centre of Yandu District, Yancheng City, Jiangsu Province, the PRC with a gross floor area of 75,600 square meters and used for commercial leasing under the Property Management business, is a large scale shopping centre themed on home building materials which mainly provides customers with "one-stop" services for items such as furniture, household products and furnishing and decoration materials. Currently, Xingyu International Houseware Plaza has approximately 47 tenants, including renowned home furnishing brands M&Z Furniture (掌上明珠), Landbond Minim (聯邦米尼), Arrow Dingzhi (箭牌定制), Huashifu (華師傅) and Telonang (泰隆祥). Although the revenue of dredging businesses was seriously affected by the COVID-19, the impact on the rental income of the plaza was minimal.

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 RMB119.9 million, representing a decrease of 55.7% as compared with approximately RMB270.4 million in the corresponding period of 2019.

Regarding the CRD Business segment, the revenue generated during the Reporting Period was approximately RMB29.0 million which represented a decrease of 64.0% from the corresponding segment's revenue in the corresponding period of 2019. The decrease in revenue for the CRD Business segment was primarily due to the successive outbreak of the COVID-19 in mainland China and overseas, which led to the operation of the construction projects being slowed down or even halted, and resulted in the decrease in the revenue.

Regarding the EPD and Water Management Business segment, the revenue generated during the Reporting Period was approximately RMB3.3 million which represented a decrease of 88.8% as compared with the corresponding segment's revenue in the same period of 2019. The decrease in revenue for the Reporting Period was due to the slow progress of certain environmental protection dredging projects resulting from the outbreak of the COVID-19.

Other Marine Business contributed a revenue of approximately RMB83.4 million to the Group for the Reporting Period, which represented a decrease of 46.4% as compared with the corresponding segment's revenue in the same period of 2019. The decrease in revenue was mainly due to the outbreak of the COVID-19.

The revenue of the Property Management Business for the Reporting Period was approximately RMB4.1 million, which represented a decrease of 9.4% as compared with approximately RMB4.6 million in the corresponding period of 2019.

Operating costs and gross profit

The Group's operating costs decreased by 43.9% from approximately RMB240.0 million for the six months ended 30 June 2019 to approximately RMB134.5 million for the Reporting Period. Such decrease was mainly due to the decrease in business volume.

The Group recorded a gross loss of approximately RMB14.6 million for the Reporting Period as compared with a gross profit of RMB30.5 million for the six months ended 30 June 2019.

The segment gross loss margin of CRD Business increased from 1.3% for the six months ended 30 June 2019 to 115.1% for the Reporting Period, which was mainly due to the successive outbreak of the COVID-19 in mainland China and overseas which has caused the operation of the construction projects being slowed down or even halted, resulting in the decline in the revenue and gross profit margin for this business segment.

The segment gross profit margin of EPD and Water Management Business for the Reporting Period was 23.5% which was lower than 34.7% for the corresponding period last year.

The segment gross profit margin of Other Marine Business decreased from 4.1% for the six months ended 30 June 2019 to 2.1% for the Reporting Period, which was due to the outbreak of the COVID-19 during the Reporting Period.

The segment gross profit margin of the Property Business increased from 31.4% for the six months ended 30 June 2019 to 38.7% for the Reporting Period.

As a result, the overall gross profit margin of the Group turned from 11.3% for the six months ended 30 June 2019 to the overall gross loss margin of 12.1% for the Reporting Period.

Other income

Other income decreased from approximately RMB1.2 million for the six months ended 30 June 2019 to approximately RMB0.1 million for the Reporting Period, which was mainly due to the decrease in the bank interest income for the Reporting Period.

Marketing and promotion expenses

Marketing and promotion expenses for the Reporting Period was approximately RMB2.6 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 RMB27.5 million, representing an increase of 5.0% from approximately RMB26.2 million for the six months ended 30 June 2019.

Finance costs

Finance costs was approximately RMB25.9 million for the Reporting Period, which is nearly the same as that for the corresponding period last year.

Income tax expense

Income tax expense decreased from approximately RMB2.1 million for the corresponding period in 2019 to approximately RMB0.5 million for the Reporting Period.

Loss for the period

As a combined effect of the above, the loss for the Reporting Period was approximately RMB73.7 million, representing an increase of 191.8% as compared with a loss of approximately RMB25.3 million for the same period in 2019.

Loss per share

Loss per share for the Reporting Period was about RMB0.042 per share (2019: about RMB0.015).

Financial position

As at 30 June 2020, total equity of the Group amounted to approximately RMB1,484.0 million (31 December 2019: approximately RMB1,563.2 million).

The Group's net current assets as at 30 June 2020 amounted to approximately RMB352.0 million (31 December 2019: approximately RMB283.2 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 30 June 2020 was 0.70 (31 December 2019: 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 RMB26.0 million as at 30 June 2020 (31 December 2019: RMB12.6 million).

The Group's trade receivables as at 30 June 2020 decreased by 9.9% from approximately RMB777.6 million as at 31 December 2019 to approximately RMB700.4 million.

As at 30 June 2020, total liabilities of the Group was approximately RMB1,261.1 million, representing a decrease of about 1.8% 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 45.8% (31 December 2019: 43.2%).

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, the Bonds payable 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.

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 loss recognised for the Reporting Period was approximately RMB6.2 million (30 June 2019: approximately RMB0.8 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 2020, 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 and Ms. Zhou. 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 have been transferred to Xiangyu PRC. The Group also pledged over a dredger, an industrial premises located in Jiangsu Province, the PRC and a residential property located in Shandong Province, the PRC in favour of CITIC and/or its affiliate.

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 2020, the Group had capital commitments of approximately RMB277.5 million (31 December 2019: approximately RMB66.2 million) which mainly included the construction cost of a 2300-tonned self-propelled fixed-crane vessel.

As at 30 June 2020, the Group did not have any material contingent liability (31 December 2019: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had a workforce of 449 employees (31 December 2019: 519). Total staff cost for the Reporting Period was approximately RMB15.7 million (30 June 2019: approximately RMB19.8 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

In view of the COVID-19 outbreak since January 2020 and the uncertain macroeconomic environment, the Group's business and performance will further be affected this year. The degree of impact on the Group's operation depends on the duration of the COVID-19 outbreak, the effectiveness of the preventive measures and the implementation of regulatory policies. The Group will closely monitor the situation and the Group's exposure to the related risks and uncertainties, and will also assess and react proactively to its impacts on the financial position and results of the Group. The Group continuously adopts a robust and prudent operating strategy to ensure an effective control of various possible operational risks as well as to speed up the collection of receivables.

For capital operation, based on the progress of its substantial construction projects including the operating progress of the overseas projects, the Group will actively identify and materialise healthy and feasible financial plans, such as strengthening the collection of the receivables and enhancing the capital structure of the Group, so as to satisfy, support and meet the Group's business development. Meanwhile, the Company will continue to seek opportunities to raise additional funds to redeem the relevant Bonds. When there is any material development made, the Company will timely inform the Shareholders and potential investors.

INTERIM DIVIDEND

The Directors have determined that no dividend will be paid in respect of the Reporting Period (six months ended 30 June 2019: 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 2020 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, 28 August 2020

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*