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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Director(s)**”) of the China Dredging Environment Protection Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) announces the audited consolidated financial results of the Group for the year ended 31 December 2022, together with the audited comparative figures for the year ended 31 December 2021, which are presented in Renminbi (“**RMB**”), the lawful currency of the People’s Republic of China (the “**PRC**”), are as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	385,472	387,389
Operating cost		(305,634)	(352,462)
		<hr/>	<hr/>
Gross profit		79,838	34,927
Other income	6	7,859	2,787
Gain on waived bond payable	16	–	207,977
Other gains and losses, net	7	(3,634)	22,098
Marketing and promotion expenses		(511)	(527)
Administrative expenses		(41,837)	(43,291)
Allowance for expected credit losses, net of reversal		(164,652)	7,498
Impairment losses on property, plant and equipment and right-of-use assets		(9,700)	(50,841)
Written -off of other intangible assets		–	(3,417)
Changes in fair values of investment properties		(142,606)	(103,503)
Share of results of an associate		(271)	–
Finance costs		(26,209)	(33,066)
		<hr/>	<hr/>
(Loss) profit before tax		(301,723)	40,642
Income tax (expenses) credit	8	(13,412)	613
		<hr/>	<hr/>
(Loss) profit for the year	9	(315,135)	41,255
		<hr/>	<hr/>
<i>Other comprehensive income</i>			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation upon transfer of property, plant and equipment and right-of-use assets to investment properties, net of related income tax		–	2,033
		<hr/>	<hr/>
Other comprehensive income for the year, net of income tax		–	2,033
		<hr/>	<hr/>
Total comprehensive (expenses) income		(315,135)	43,288
		<hr/>	<hr/>

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) profit for the year attributable to:		
– Owners of the Company	(340,411)	22,593
– Non-controlling interests	25,276	18,662
	<u>(315,135)</u>	<u>41,255</u>
Total comprehensive (expenses) income for the year attributable to:		
– Owners of the Company	(340,411)	24,626
– Non-controlling interests	25,276	18,662
	<u>(315,135)</u>	<u>43,288</u>
(Loss) earnings per share		
– Basic and diluted (RMB cents)	<i>10</i> <u>(22.64)</u>	<u>1.64</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		1,050,948	1,144,460
Right-of-use assets		46,144	47,670
Investment properties		296,666	439,272
Other intangible assets		–	–
Goodwill		201	201
Interest in an associate		1,746	2,017
Equity instruments at fair value through other comprehensive income		3,000	3,000
Contract assets		39	5,365
		1,398,744	1,641,985
Current assets			
Trade and other receivables and prepayments	<i>12</i>	445,314	591,888
Contract assets		9,527	3,701
Bank balances and cash		35,067	32,075
		489,908	627,664
Current liabilities			
Trade and other payables	<i>13</i>	387,441	359,728
Contract liabilities		10,847	34,974
Amounts due to directors of the Company		88,613	34,207
Amounts due to non-controlling shareholders of a subsidiary		3,389	3,554
Tax payable		64,349	64,382
Bank borrowings	<i>14</i>	209,100	276,300
Other borrowings	<i>15</i>	50,399	47,574
Bonds payable	<i>16</i>	–	–
Lease liabilities		1,105	1,322
		815,243	822,041
Net current liabilities		(325,335)	(194,377)
Total assets less current liabilities		1,073,409	1,447,608

	<i>Notes</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Capital and reserves			
Share capital		255,247	255,247
Reserves		424,428	764,839
		<hr/>	<hr/>
Equity attributable to owners of the Company		679,675	1,020,086
Non-controlling interests		158,089	140,603
		<hr/>	<hr/>
Total equity		837,764	1,160,689
		<hr/>	<hr/>
Non-current liabilities			
Amounts due to non-controlling shareholders of a subsidiary		59,887	59,887
Deferred tax liabilities		13,636	15,748
Other borrowings		161,552	210,762
Lease liabilities		570	522
		<hr/>	<hr/>
		235,645	286,919
		<hr/>	<hr/>
		1,073,409	1,447,608
		<hr/>	<hr/>

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

China Dredging Environment Protection Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The directors of the Company (the “**Director**”) consider that the Company’s immediate and ultimate holding company is Wangji Limited, a limited company incorporated in the British Virgin Islands, which is ultimately and wholly owned by Mr. Liu Kaijin (“**Mr. Liu**”) 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 consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Going concern assessment

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

During the year ended 31 December 2022, the Group incurred a net loss attributable to the shareholders of the Company of approximately RMB340,411,000 (2021: a net profit attributable to the shareholders of the Company of approximately RMB22,593,000) and, as of that date, the Group had net current liabilities of approximately RMB325,335,000 (2021: RMB194,377,000).

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.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2022. 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 31 December 2022. Nevertheless, the consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern, after taking into consideration of the following:

- (1) The Company obtained a letter of undertaking (the “**Letter of Undertaking**”) from Mr. Liu that:
 - (i) Mr. Liu agreed not to request the Group to repay the amount due to him of approximately RMB82,976,000, 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 31 December 2022; and
 - (ii) Mr. Liu also agreed to provide sufficient funds to the Group so that the Group will be able to meet all the liabilities and financial obligations as and when they fall due in the coming twelve months from 31 December 2022;
- (2) The Directors consider that the banks and lenders will agree to renew the bank borrowings of approximately RMB209,100,000 and other borrowings of approximately RMB50,399,000, respectively which will be matured within the next twelve months from 31 December 2022;
- (3) The Group is continuously in 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 business and operations in the future.

In light of the above measures and plans implemented to date, the Directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for a period of at least the next twelve months from 31 December 2022 after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its business. Accordingly, the Directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its measures and plans as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its controlling shareholder.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-related rent concessions
Amendments to HKFRS 3	Reference to the conceptual framework
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020 cycle

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

4. REVENUE

Disaggregation of revenue from contracts with customers

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Revenue from contracts with customers by categories		
– Capital and Reclamation Dredging Business	96,497	80,150
– Environment Protection Dredging and Water Management Business	17,071	52,760
– Other Marine Business	269,218	251,196
– Property Management Business	<u>2,686</u>	<u>3,283</u>
Total	<u>385,472</u>	<u>387,389</u>
Timing of revenue recognition		
– At point in time	–	–
– Over time	<u>385,472</u>	<u>387,389</u>
Total	<u>385,472</u>	<u>387,389</u>

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

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

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

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

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

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

5. OPERATING SEGMENTS INFORMATION

The Group determines its operating segments based on the reports reviewed by the Executive Directors of the Company who are also the chief operating decision makers ("CODM"), that are used to make strategic decisions. Information reported to the CODM is based on the different nature of projects carried out by the Group.

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

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

Segment revenues and results

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

	Capital and Reclamation Dredging Business RMB'000	Environmental Protection Dredging and Water Management Business RMB'000	Other Marine Business RMB'000	Property Management Business RMB'000	Total RMB'000
For the year ended 31 December 2022					
Segment revenue					
External sales	<u>96,497</u>	<u>17,071</u>	<u>269,218</u>	<u>2,686</u>	<u>385,472</u>
Segment results	<u>(120,270)</u>	<u>(54,666)</u>	<u>75,323</u>	<u>(16,300)</u>	<u>(115,913)</u>
Changes in fair value of investment properties					(142,606)
Unallocated allowance for expected credit losses of other receivables and prepayments, net of reversal					(2,072)
Unallocated other income, gains and losses, net					4,209
Unallocated corporate expenses					(34,443)
Share of results of an associate					(271)
Unallocated finance costs					<u>(10,627)</u>
Loss before tax					<u>(301,723)</u>
For the year ended 31 December 2021					
Segment revenue					
External sales	<u>80,150</u>	<u>52,760</u>	<u>251,196</u>	<u>3,283</u>	<u>387,389</u>
Segment results	<u>(39,827)</u>	<u>(20,982)</u>	<u>51,629</u>	<u>(55,888)</u>	<u>(65,068)</u>
Changes in fair value of investment properties					(103,503)
Unallocated allowance for expected credit losses of other receivables and prepayments, net of reversal					30,515
Gain on waived bonds payable					207,977
Unallocated other income, gains and losses, net					23,750
Unallocated corporate expenses					(38,277)
Unallocated finance costs					<u>(14,752)</u>
Profit before tax					<u>40,642</u>

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

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 recognized, Directors' emoluments and finance cost and other items listed above. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Information about major customers

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A		
– Other Marine Business	76,981	N/A*
Customer B		
– Other Marine Business	N/A*	43,762

* The corresponding revenue does not contribute over 10% of the Group's revenue.

6. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	105	11
Government grants	6,476	1,707
Loan interest income	269	–
Sundry income	1,009	1,069
	7,859	2,787

7. OTHER GAINS AND LOSSES, NET

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Gain on disposal of property, plant and equipment, net	16	1,135
Loss on restructuring of other payable (Note 13)	(620)	–
Exchange gain and losses, net	(3,030)	20,963
	<u>(3,634)</u>	<u>22,098</u>

8. INCOME TAX (EXPENSE) CREDIT

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
The charge comprises:		
– Current tax		
PRC EIT Tax	(15,524)	(12,738)
Deferred tax		
– Current year	2,112	13,351
	<u>(13,412)</u>	<u>613</u>

Pursuant to the income tax rule and regulations of Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to income tax in the respective jurisdictions.

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

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

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

9. (LOSS) PROFIT FOR THE YEAR

	2022	2021
	RMB'000	RMB'000
(Loss) profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	1,663	1,900
Other staff costs	55,401	49,901
Retirement benefit scheme contributions	5,638	4,928
Performance related bonuses	–	–
Equity-settled share-based payments	–	–
Total staff costs	<u>62,702</u>	<u>56,729</u>
Impairment losses recognised on		
– Property, plant and equipment	9,700	56,696
– Right-of-use assets	–	(5,855)
	<u>9,700</u>	<u>50,841</u>
Gross rental income from investment properties		
– Environmental Protection Dredging and Water Management Business	(4,476)	(4,392)
– Property Management Business	(2,686)	(3,283)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	162	226
Direct operating expenses incurred for investment properties that did not generate rental income during the year	265	157
	<u>(6,735)</u>	<u>(7,292)</u>
Auditor's remuneration	1,388	1,388
Depreciation of property, plant and equipment	90,631	90,689
Depreciation of right-of-use assets	2,798	3,095
Written-off of other intangible assets	–	3,417
Gain on disposal of property, plant and equipment, net	(16)	(1,135)
Operating cost	<u>305,634</u>	<u>352,462</u>

10. (LOSS) EARNINGS PER SHARE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss (profit) for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(340,411)</u>	<u>22,593</u>
	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	<u>1,503,882</u>	<u>1,381,114</u>

As at 31 December 2022 and 31 December 2021, the Group did not have other potential ordinary shares.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022 and 31 December 2021, nor has any dividend been proposed since the end of the reporting period.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
– Contracts with customers	1,422,109	1,619,680
– Operating leases receivables	13,574	13,178
Less: Allowance for credit losses	<u>(1,112,354)</u>	<u>(1,159,371)</u>
	323,329	473,487
Bills receivable	26,035	29,997
Value-added tax recoverable	15,736	26,889
Government financial incentive receivables, net	5,110	5,120
Other prepayments	36,526	36,784
Deposits	13,143	12,852
Loans to investees	21,304	–
Other receivables	<u>4,131</u>	<u>6,759</u>
	<u>445,314</u>	<u>591,888</u>

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–30 days	22,511	71,054
31–90 days	60,794	28,435
91–180 days	23,329	22,517
181–365 days	50,287	35,627
1 year–2 years	34,783	14,392
Over 2 years	<u>131,625</u>	<u>301,462</u>
	<u>323,329</u>	<u>473,487</u>

13. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables		
Sub-contracting charge	120,767	117,996
Fuel cost	15,174	8,459
Repair and maintenance	15,631	19,807
Others	14,354	1,885
	<u>165,926</u>	<u>148,147</u>
Other payables		
Payable for construction cost of investment properties <i>(note a and c below)</i>	70,973	73,873
Accrual for other taxes	53,222	51,688
Accrual for staff salaries and welfare	39,823	36,705
Others <i>(note b below)</i>	57,497	49,315
	<u>221,515</u>	<u>211,581</u>
	<u>387,441</u>	<u>359,728</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–30 days	30,956	17,626
31–60 days	2,971	37,879
61–90 days	14,526	4,042
91–180 days	2,390	19,337
Over 180 days	115,083	69,263
	<u>165,926</u>	<u>148,147</u>

Notes:

- (a) As at 31 December 2022, based on invoice date, other payables for construction cost for investment properties of approximately RMB70,973,000 (2021: RMB73,873,000) has been due for over 1 year.
- (b) As at 31 December 2022, included in other payables – other was RMB5,000,000 provided for various interest and fee due to claims and debts.
- (c) During the year ended 31 December 2022, pursuant to an agreement between the Company, a customer and creditor, trade receivable of RMB213,074,000, net of allowance of RMB209,554,000 was applied to set-off for a payable for construction cost of investment properties of RMB2,900,000, resulting in a loss of RMB620,000 which was charged to the profit or loss for the year (see Note 7).

14. BANK BORROWINGS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Secured bank borrowings		
Payment schedule according to contractual repayment terms		
Amount due for settlement within one year	<u>209,100</u>	<u>276,330</u>

15. OTHER BORROWINGS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other borrowings:		
Secured other borrowing from Financing Company	130,492	176,421
Unsecured other borrowings	<u>81,459</u>	<u>81,915</u>
	<u>211,951</u>	<u>258,336</u>
The above borrowings are repayable		
Within one year	50,399	47,574
Within a period of more than one year but not exceeding two years	133,521	129,217
Within a period of more than two years but not exceeding five years	<u>28,031</u>	<u>81,545</u>
	<u>211,951</u>	<u>258,336</u>

16. BONDS PAYABLE

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

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

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

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

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

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

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

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

	RMB'000
At 31 December 2020	287,482
Interest expenses	5,179
Settlement during the year	(83,145)
Gain on waived bonds payable	(207,977)
Exchange realignment	(1,539)
	<hr/>
At 31 December 2021 and 31 December 2022	<hr/> –

17. RELATED PARTY DISCLOSURES

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

(i) Related party transactions

The Group received other advances from, and made repayments to Mr. Liu during the years ended 31 December 2022 and 2021. As at 31 December 2022, the amount due to Mr. Liu was RMB82,976,000 (2021: RMB29,700,000).

Besides, the Group had provided loans to the associate and equity investment of RMB11,024,000 (2021: Nil) and RMB10,280,000 (2021: Nil) respectively. Loan interest of RMB269,000 (2021: Nil) was charged to the associate during the year.

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

As at 31 December 2022 and 2021, other than pledge of assets of the Group, the Group's bank borrowings and bonds payable were also supported by:

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

In addition, bank borrowing of the Group of RMB72,600,000 (2021: RMB91,000,000) was supported by a property owned by a company in which Mr. Liu and Ms. Zhou has beneficial interest.

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

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

18. COMPARATIVE FIGURES

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

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report from the external auditor for the year ended 31 December 2022:

Opinion

We have audited the consolidated financial statements of China Dredging Environment Protection Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements, during the year ended 31 December 2022, the Group incurred a net loss attributable to the shareholders of the Company of approximately RMB340,411,000 and, as of that date, the Group had net current liabilities of approximately RMB325,335,000. These matters, along with other matters set forth in Note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. The directors of the Company (the “**Directors**”), having considered the measures and plans being taken by the Group, are of the opinion that the Group would be able to continue as a going concern basis. Our conclusion is not modified in respect of this matter.

As at the date of this announcement, the Group has taken the following measures to address the opinion, which include:

1. Mr. Liu, the controlling shareholder of the company has agreed not to demand for any repayment of amount due by the Company of approximately RMB82,976,000 as at 31 December 2022 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 31 December 2022;
2. The Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future;
3. The Group has implemented measures to speed up the collection of outstanding trade debts proceeds; and
4. The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

The management and the audit committee believe that if the above measures are indeed implemented properly and effectively in the year 2023 and if the Company could provide sufficient audit evidence to the auditors to support that there will be sufficient working capital for the Group in the next twelve months from 31 December 2022, the opinion of material uncertainty related to going concern may be removed, given that there is no adverse change of the consolidated financial position, operations and investments of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

Financial Review

Revenue

For the year ended 31 December 2022 (the “**Reporting Period**”), the Group recorded a slight decrease by about 0.5% in total revenue from approximately RMB387.4 million for the year ended 31 December 2021 to approximately RMB385.5 million.

As regards the CRD Business segment, revenue of approximately RMB96.5 million was recorded for the Reporting Period, which increased by about 20.4% when compared to that for the year ended 31 December 2021. The increase in revenue was primarily due to the stabilisation prevention and control amid the COVID-19 in mainland China and overseas during the year. As the production capacity of the large-scale dredgers of the Group is mainly from the overseas countries, yet the equipment replacement, the supply of repair materials and the rotation and support of the key personnel of the operation and project teams are all from mainland China, the pandemic has caused serious impact on the operation of the Group for the last year.

Revenue of approximately RMB17.1 million was recorded for the EPD and Water Management Business segment, representing a substantial decrease by about 67.6% from its corresponding segment revenue for the year ended 31 December 2021. The decrease was caused by the delay in the construction schedules.

Revenue for the Other Marine Business was approximately RMB269.2 million, representing an increase of 7.2% as compared with the corresponding period of 2021. The increase in revenue was mainly due to more projects than last year.

Revenue for the Property Management Business segment for the Reporting Period was approximately RMB2.7 million, which decreased by about 18.2% from approximately RMB3.3 million for the year ended 31 December 2021, due to decrease in occupancy rate.

Operating Cost and Gross Profit

The Group's operating cost decreased from approximately RMB352.5 million for the year ended 31 December 2021 to approximately RMB305.6 million during the Reporting Period, representing a decrease of about 13.3%. The decrease was primarily by implementing measures to tighten cost control.

The Group recorded a gross profit of approximately RMB79.8 million for the Reporting Period as compared with a gross profit of approximately RMB34.9 million for the year ended 31 December 2021. Gross profit margin of 20.7% was recorded for the Reporting Period as compared with a gross profit margin of 9.0% for the year ended 31 December 2021. The significant increase in the revenue brought by the rebound from the outbreak of COVID-19 in mainland China and overseas, while substantial costs such as depreciation of assets and maintenance of equipment is fixed.

Net Other Gains and Losses

The Group recorded a net other losses of approximately RMB3.6 million during the Reporting Period as compared with a net other gains of approximately RMB22.1 million for year ended 31 December 2021, which was primarily caused by increase in foreign exchange losses for the Reporting Period.

Expected Credit Loss Allowance

As a prudent measure in managing the trade receivables, contract assets and other receivables, the Company appointed an independent external professional valuer to make an independent valuation and based on its suggestion to recognise the allowance for expected credit losses on trade receivables, prepayment and the contract assets of approximately RMB164.7 million in total for the Reporting Period (2021: reverse the allowance approximately RMB7.5 million).

Impairment loss on property, plant and equipment and right-of-use assets

During the Reporting Period, a non-cash impairment loss of approximately RMB9.7 million (2021: approximately RMB50.8 million) was recognised on the property, plant and equipment and the right-of-use assets, mainly attributable to the continuing challenging market condition as an impairment indicator to the Group's businesses.

Marketing and Promotion Expenses

Marketing and promotion expenses for the Reporting Period was approximately RMB0.5 million, representing a decrease of about 3.0% as compared with approximately RMB0.5 million for the year ended 31 December 2021, which was mainly attributable to the decrease in marketing and promotion activities resulting from the outbreak of COVID-19.

Administrative Expenses

Administrative expenses for the Reporting Period amounted to approximately RMB41.8 million, representing an decrease of about 3.4% from approximately RMB43.3 million for the year ended 31 December 2021. This was mainly due to the implementation of strict cost control measures to reduce the general expenses during the Reporting Period.

Changes in fair values of investment properties

During the Reporting Period, in view the severe impact of the COVID-19 pandemic insider and outside of China, the average occupancy rate of the shopping mall was decreased from approximately 60% in the year of 2021 to approximately 38% in the Reporting Period, and the rental income was decreased from approximately RMB3.3 million in the year of 2021 to approximately RMB2.7 million in the Reporting Period. With reference to valuation performed by the independent professional valuer, the fair value of the Shopping Mall was decreased from approximately RMB360 million in the year of 2021 to approximately RMB212 million in the Reporting Period.

Finance Costs

Finance costs for the Reporting Period amounted to approximately RMB26.2 million, which decreased by about 20.7% when compared to that for the corresponding period last year.

Income Tax Expense

The Group recorded an income tax expense approximately RMB13.4 million for the Reporting Period, as compared with an income tax credit approximately of RMB0.6 million for the year ended 31 December 2021. This was mainly due to deferred tax credit of approximately RMB13.4 million for the year ended 31 December 2021..

Loss for the Year

Influenced by the above factors as a whole, the net loss for the Reporting Period was approximately RMB315.1 million, as compared to a net profit of approximately RMB41.3 million for the year ended 31 December 2021.

Loss Per Share

Loss per share for the Reporting Period was approximately RMB22.64 per share (2021: earnings per share was approximately RMB1.64).

Financial Management Policies

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

As most of the Group's trading transactions, monetary assets and liabilities are denominated mainly in Renminbi, which is the Group's functional and reporting currency, and save for the Bonds and certain bank borrowings and deposits denominated in United States dollars and Hong Kong dollars, the foreign exchange loss recognised for the Reporting Period was approximately RMB3.0 million (31 December 2021: exchange gain of approximately RMB21.0 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 instruments. Nonetheless, the Group will continue to closely monitor its related interest rate exposure.

Financial Position

As at 31 December 2022, the total equity of the Group amounted to approximately RMB837.8 million (31 December 2021: approximately RMB1,160.7 million). The decrease in total equity was mainly attributable to the allowance for expected credit losses and change in fair values of investment properties for the Reporting Period.

The Group's net current liabilities as at 31 December 2022 amounted to approximately RMB325.3 million (31 December 2021: approximately RMB194.4 million). The current ratio, which is calculated by dividing current assets by current liabilities, was 0.60 as at 31 December 2022 (31 December 2021: 0.76).

Liquidity and Financial Resources

The Group adopts prudent cash and financial management policies. In order to achieve better cost control and reduce capital cost, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in Renminbi and Hong Kong dollars.

Included in current assets were cash and various bank deposits which was approximately RMB35.1 million in total as at 31 December 2022, representing an increase by about 9.3% as compared with that of approximately RMB32.1 million as at 31 December 2021.

The Group's trade receivables as at 31 December 2022 amounted to approximately RMB323.3 million (2021: approximately RMB473.5 million), representing a decrease by 31.7% when compared with that of the corresponding period of the preceding year.

As at 31 December 2022, total liabilities of the Group amounted to approximately RMB1,050.9 million (31 December 2021: approximately RMB1,109.0 million). The Group's gearing ratio (calculated by interest bearing instruments (including bank borrowings, other borrowings and bonds payable) divided by total equity) increased to 50.3% (2021: 46.1%).

Charge over Assets of the Group

As at 31 December 2022, the Group's bank borrowings were secured by charges over certain dredgers and land owned by the Group, a property owned by a company in which Mr. Liu has beneficial interest and personal guarantees by Mr. Liu and Ms. Zhou. There were also intragroup charges between two of the Company's wholly-owned subsidiaries as a result of the contractual arrangements, pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu Holdings Group Limited* (江蘇興宇控股集團有限公司) have been transferred to Xiangyu PRC.

Material Acquisitions and Disposals

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

Capital Commitments and Contingent Liabilities

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

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

Business Review

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

The EPD and Water Management Business affected significantly during the year of 2022, since the delay in the construction schedule. The Group believes that the construction schedule will resume to normal while the economic has recovered and on a low-speed growth track.

Other Marine Business includes installing marine wind power equipment, hoisting major parts of docks and bridges, laying underwater pipelines and other works services. Due to the rapid development of the marine wind power constructions in mainland China and the increased capacity, the Group can grasp more business opportunities.

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

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

PROSPECTS

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

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

For capital operation, the Group will actively identify and materialise healthy and feasible financial plans, such as strengthening the collection of the receivables and enhancing the capital structure of the Group, so as to satisfy, support and meet the Group's business development.

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

EMPLOYEES AND REMUNERATION POLICY

The sustained development of our business leverages on the ongoing contributions by our employees. The Board considers employees the Group's most valuable wealth and is committed to improving their growth environment, providing them competitive remuneration packages and safeguarding their health and safety. As at 31 December 2022, the Group had 471 (2021: 522) employees. The total staff cost for the Reporting Period was approximately RMB62.7 million (2021: approximately RMB56.7 million). The Group's remuneration policy is basically determined by the Directors based on the performance of individual employees and market conditions. In addition to salaries and discretionary bonuses, employee benefits include pension contributions and options which may be granted under share option scheme.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2022.

CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry to the Directors, all Directors had confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 December 2022.

AUDIT COMMITTEE

The Company has established the audit committee with written terms of reference. As at the date of this announcement, the audit committee comprises three independent non-executive Directors, namely Mr. Chan Ming Sun Jonathan, Mr. Huan Xuedong and Mr. Liang Zequan. Mr. Chan Ming Sun Jonathan is the chairman of the audit committee. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discuss auditing, financial reporting system, risk management and internal control systems, and has reviewed the Group's annual results for the year ended 31 December 2022.

SCOPE OF WORK OF YONGTUO FUSON CPA LIMITED

The figures in respect of this announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Company's external auditor, Yongtuo Fuson CPA Limited ("**Yongtuo Fuson**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by Yongtuo Fuson in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Yongtuo Fuson on this announcement.

PUBLICATION OF ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.cdep.com.hk). The annual report of the Company for the year ended 31 December 2022 will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2023

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*