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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 2023

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 2023 (the "Reporting Period"), together with the unaudited comparative figures for the six months ended 30 June 2022 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 2023

		Six months ended 30 June	
		2023	2022
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*4*	**220,691**	172,731
Operating cost		**(147,035)**	(144,251)
Gross profit		**73,656**	28,480
Other income		**4,601**	4,746
Other gains and losses, net	*6*	**1,509**	386
Marketing and promotion expenses		**(92)**	(346)
Administrative expenses		**(22,334)**	(15,851)
Share of results of an associate		**185**	(104)
Finance costs		**(12,590)**	(13,549)

	Notes	Six months ended 30 June **2023** ***RMB'000*** **(Unaudited)**	2022 *RMB'000* (Unaudited)
Profit before tax		**44,935**	3,762
Income tax expense	*7*	**(19,949)**	(9,652)
Profit (loss) and total comprehensive income (expense) for the period	*8*	**24,986**	(5,890)
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
– Owners of the company		**(4,960)**	(17,626)
– Non-controlling interests		**29,946**	11,736
		24,986	(5,890)
Loss per share for the period	*9*		
– Basic and diluted (RMB cents)		**(0.33)**	(1.17)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**As at 30 June 2023** *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*11*	**1,004,446**	1,050,948
Right-of-use assets		**45,547**	46,144
Investment properties		**296,666**	296,666
Goodwill		**201**	201
Interest in an associate		**1,931**	1,746
Equity instruments at fair value through other comprehensive income		**3,000**	3,000
Contract assets		**39**	39
		1,351,830	1,398,744
Current assets			
Trade and other receivables and prepayments	*12*	**432,799**	445,314
Contract assets		**10,190**	9,527
Bank balances and cash		**40,610**	35,067
		483,599	489,908
Current liabilities			
Trade and other payables	*13*	**340,333**	387,441
Contract liabilities		**8,535**	10,847
Amounts due to related parties		**89,100**	88,613
Amounts due to non-controlling shareholders of a subsidiary		**3,415**	3,389
Tax payable		**74,740**	64,349
Bank borrowings	*14*	**202,750**	209,100
Other borrowings		**52,722**	50,399
Lease liabilities		**1,280**	1,105
		772,875	815,243
Net current liabilities		**(289,276)**	(325,335)
Total assets less current liabilities		**1,062,554**	1,073,409

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2023

	Notes	**As at 30 June 2023** *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Capital and reserves			
Share capital	*15*	**255,247**	255,247
Reserves		**419,468**	424,428
Equity attributable to owners of the Company		**674,715**	679,675
Non-controlling interests		**180,245**	158,089
Total equity		**854,960**	837,764
Non-current liabilities			
Amounts due to non-controlling shareholders of a subsidiary		**57,937**	59,887
Deferred tax liabilities		**12,910**	13,636
Other borrowings		**136,188**	161,552
Lease liabilities		**559**	570
		207,594	235,645
		1,062,554	1,073,409

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

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

The Company acts as an investment holding company and its subsidiaries are principally engaged in the provision of dredging and water management services, provision of marine hoisting, installation and other engineering services.

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

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

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Going concern assessment

As at 30 June 2023, the Group had net current liabilities of approximately RMB289,276,000 (31 December 2022: RMB325,335,000) and bank and other borrowings amounted to approximately RMB202,750,000 and RMB52,722,000 (31 December 2022: RMB209,100,000 and RMB50,399,000), respectively which will fall due within twelve months from the date of 30 June 2023.

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

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

Going concern assessment (Continued)

In preparing the consolidated financial statements, the director of the Company (the "Directors") have given careful consideration to the future liquidity of the Group. The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. They are of the opinion that, taking into account the following plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Nevertheless, the consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern, after taking into consideration of the following:

1) The Company obtained a letter of undertaking (the "Letter of Undertaking") from Mr. Liu that: (i) he agreed not to request the Group to repay the amount due to him of approximately RMB82,832,000, included in the amounts due to a shareholder of the Company until the Group has sufficient funds to meet all the liabilities and financial obligations as and when they fall due in the coming twelve months from 30 June 2023; and (ii) he also agreed to provide sufficient funds to the Group so that the Group will be able to meet all the liabilities and financial obligations as and when they fall due in the coming twelve months from 30 June 2023;

2) The Directors consider that the banks and lender will agree to renew the bank borrowings of approximately RMB202,750,000 and other borrowings of approximately RMB52,722,000, respectively which will be mature within the next twelve months from 30 June 2023;

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

4) The Group continues to generate cash inflows from its operating activities by implementing measures to tighten cost controls over various operating expenses in order to improve its cash flows position and to generate greater positive cash inflows from its operations in the future.

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

3. PRINCIPAL ACCOUNTING POLICIES

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

This interim financial results contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

Other than the changes of accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

4. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers by categories		
Capital and Reclamation Dredging Business	**20,948**	47,708
Environmental Protection Dredging and Water Management Business	**3,474**	4,774
Other Marine Business	**191,822**	116,645
Property Management Business	**4,447**	3,604
	220,691	172,731
Timing of revenue recognition		
Over time	**220,691**	172,731

5. SEGMENT INFORMATION

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

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

(i) Capital and Reclamation Dredging Business refers to the capital and reclamation dredging services and related consultation services provided by the Group;

(ii) Environmental Protection Dredging and Water Management Business refers to dredging or water management services or constructions for promoting environmental interests and water quality mainly for inland rivers provided by the Group;

(iii) Other Marine Business mainly comprises marine hoisting, installation, salvaging, vessel chartering and other engineering services provided by the Group; and

(iv) Property Management Business refers to the management and leasing of a shopping mall and factories and the construction of a hotel by the Group.

5. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the six months ended 30 June 2023

	Capital and Reclamation Dredging Business *RMB'000* (Unaudited)	Environmental Protection Dredging and Water Management Business *RMB'000* (Unaudited)	Other Marine Business *RMB'000* (Unaudited)	Property Management Business *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue					
External sales	**20,948**	**3,474**	**191,822**	**4,447**	**220,691**
Segment results	**(23,300)**	**(657)**	**88,602**	**1,186**	**(65,831)**
Share of results of an associate					**185**
Unallocated other income, gains and losses, net					**3,909**
Unallocated corporate expenses					**(18,991)**
Unallocated finance costs					**(5,999)**
Profit before tax					**44,935**

5. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 June 2022

	Capital and Reclamation Dredging Business *RMB'000* (Unaudited)	Environmental Protection Dredging and Water Management Business *RMB'000* (Unaudited)	Other Marine Business *RMB'000* (Unaudited)	Property Management Business *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue					
External sales	47,708	4,774	116,645	3,604	172,731
Segment results	7,691	1,263	7,482	644	17,080
Share of results of an associate					(104)
Unallocated other income, gains and losses, net					4,762
Unallocated corporate expenses					(12,923)
Unallocated finance costs					(5,053)
Profit before tax					3,762

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

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

5. SEGMENT INFORMATION (Continued)

Segment assets

At 30 June 2023

	Capital and reclamation dredging business *RMB'000* (Unaudited)	Environmental protection dredging and water management business *RMB'000* (Unaudited)	Other marine business *RMB'000* (Unaudited)	Property management business *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment assets	**543,783**	**289,510**	**625,374**	**334,558**	**1,793,225**
Unallocated assets:					
Right-of-use assets					**539**
Bank balances and cash					**40,610**
Other corporate assets					**1,055**
Consolidated assets					**1,835,429**

At 31 December 2022

	Capital and reclamation dredging business *RMB'000* (Audited)	Environmental protection dredging and water management business *RMB'000* (Audited)	Other marine business *RMB'000* (Audited)	Property management business *RMB'000* (Audited)	Total *RMB'000* (Audited)
Segment assets	561,998	301,639	652,775	335,493	1,851,905
Unallocated assets:					
Right-of-use assets					725
Bank balances and cash					35,067
Other corporate assets					955
Consolidated assets					1,888,652

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

5. SEGMENT INFORMATION (Continued)

Segment liabilities

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

Geographical information

Revenue from external customers

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**208,761**	130,595
Other regions	**11,930**	42,136
	220,691	172,731

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

Non-current assets

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

6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) gain on disposal of property, plant and equipment	**(1)**	370
Gain on restructuring of trade payable *(Note 13)*	**2,202**	–
Exchange gains and losses, net	**(692)**	16
	1,509	386

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax ("EIT")	**20,675**	10,409
Deferred taxation		
– Current period	**(726)**	(757)
	19,949	9,652

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

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

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

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	**334**	950
Other staff costs	**36,840**	26,852
Retirement benefit scheme contributions	**2,014**	2,758
Total staff costs	**39,188**	30,560
Gross rental income from investment properties	**(4,447)**	(3,604)
Less: Direct operating expenses incurred for investment properties that generated rental income during the period	**61**	122
Direct operating expenses incurred for investment properties that did not generate rental income during the period	**31**	63
	(4,355)	(3,419)
Depreciation of property, plant and equipment	**47,120**	54,252
Depreciation of right-of-use assets	**1,128**	1,392
Amortisation of other intangible assets	**–**	–
(Loss) gain on disposal of property, plant and equipment, net	**(1)**	370
Operating costs	**147,035**	144,251

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**(4,960)**	(17,626)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,503,882**	1,503,882

As at 30 June 2023 and 30 June 2022, the Group did not have potential ordinary shares.

10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2023 and 30 June 2022, nor has any dividend been proposed since the end of the reporting period.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain plant and equipment with an aggregate carrying amount of RMB4,000(six months ended 30 June 2022: RMB354,000) for cash proceeds of RMB3,000 (six months ended 30 June 2022: RMB724,000), resulting in a loss on disposal of RMB1,000 (six months ended 30 June 2022: RMB370,000).

During the current interim period, the Group has purchased property, plant and equipment of RMB622,000 (six months ended 30 June 2022: RMB1,153,000).

12. TRADE AND OTHER RECEIVABLES

	Notes	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade receivables			
– Contracts with customers		**1,408,739**	1,422,109
– Operating leases receivables		**13,819**	13,574
Less: Allowance for expected credit losses		**(1,110,152)**	(1,112,354)
	(i)	**312,406**	323,329
Bills receivable		**26,122**	26,035
Value-added tax recoverable	*(ii)*	**15,644**	15,736
Government financial incentive receivables, net	*(iii)*	**5,110**	5,110
Other prepayments	*(iv)*	**35,597**	36,526
Deposits		**12,372**	13,143
Loans to investees	*(v)*	**21,669**	21,304
Other receivables		**3,879**	4,131
		432,799	445,314

Notes:

(i) Trade receivables

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

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

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

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

12. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(i) Trade receivables (Continued)

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

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

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

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
0–30 days	**78,711**	22,511
61–90 days	**35,041**	60,794
91–180 days	**22,803**	23,329
181–365 days	**24,704**	50,287
1 year–2 years	**26,803**	34,783
Over 2 years	**124,344**	131,625
	312,406	323,329

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

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

12. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

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

VAT paid of approximately RMB15,644,000 (31 December 2022: RMB15,736,000) by the Group in connection with its property, plant and machinery and construction in progress could be set-off against future value added tax payable generated from the Group

(iii) Government financial incentive receivables, net, deposits and other receivables

The aggregate carrying amount of government financial incentive receivable, net, deposits and other receivables were of approximately RMB5,110,000 (31 December 2022: RMB 43,688,000). During the period ended 30 June 2023, an allowance of expected credit loss of approximately RMB15,000 (31 December 2022: RMB2,072,000) was recognised.

(iv) Other prepayments

As at 30 June 2023, the Group's other prepayments is paid for the chartering cost, docking costs and fuel cost for both PRC and overseas projects.

(v) Loans to investees

During the year, the Group had provided shareholder loans amounted to RMB8,894,000 and RMB12,775,000 to Jiangsu Longxiang Harbour PRC Engineering Company Limited and Unlisted Entity for daily operation and construction of a vessel, respectively. The interest rate would be reviewed each year, repayable on demand and non-secured.

13. TRADE AND OTHER PAYABLES

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Trade payables		
Sub-contracting charge	**85,172**	120,767
Fuel cost	**16,922**	15,174
Repair and maintenance	**14,640**	15,631
Others	**9,329**	14,354
	126,063	165,926
Other payables		
Payable for construction cost of investment properties *(note below)*	**70,973**	70,973
Accrued for other taxes	**52,832**	53,222
Accrued for staff salaries and welfare	**32,344**	39,823
Others	**58,121**	57,497
	214,270	221,515
	340,333	387,441

Note: As at 30 June 2023, based on invoice date, other payables for construction cost for investment properties of approximately RMB70,973,000 (31 December 2022: RMB70,973,000) has been due for over 1 year.

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

13. TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
0–30 days	**11,507**	30,956
31–60 days	**2,713**	2,971
61–90 days	**4,440**	14,526
91–180 days	**874**	2,390
Over 180 days	**106,529**	115,083
	126,063	165,926

14. BANK BORROWINGS

During the current interim period, the Group raised bank loans of RMB121,100,000(31 December 2022: RMB195,450,000) and repaid bank loans of RMB127,450,000 (31 December 2022: RMB262,650,000). As at 30 June 2023, the effective interest rates of the bank borrowings ranged from 4.50% to 6.80% (31 December 2022: 4.50% to 6.80%) per annum.

15. SHARE CAPITAL

	Number of shares at HK$0.2 each ***'000***	**Amount** ***HK$'000***	**RMB equivalent amount** ***RMB'000***
Authorised			
As at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	5,000,000	1,000,000	N/A
Issued and fully paid			
Balance at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	1,503,882	300,776	255,247

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is primarily engaged in dredging business, which can be divided into three main operating and reportable segments, namely, (i) capital and reclamation dredging business (the "CRD Business"); (ii) environmental protection dredging and water management business (the "EPD and Water Management Business"); and (iii) other works operated in marine sites (the "Other Marine Business"). In addition, the Group has set up property management business in respect of the management of Xingyu International Houseware Plaza* (興宇國際家居廣場) and factories (the "Property Management Business").

During the Reporting Period, the Group recorded a profit of approximately RMB25.0 million, as compared to a loss of approximately RMB5.9 million for the first half of the year 2022. The loss attributable to the shareholders of the Company was approximately RMB5.0 million.

BUSINESS REVIEW

The CRD Business, which is the core business of the Group, faced challenges during the Reporting Period. The execution and management of both domestic and overseas construction projects did not proceed as anticipated, resulting in poor performance for the CRD Business. In comparison to the same period in 2022, the segment revenue for the CRD Business experienced a significant decline of approximately 56%.

Despite these difficulties, the Group remains committed to actively seeking opportunities in dredging projects within the Southeast Asia region. Specifically, the Group aims to explore potential projects in countries such as Indonesia, Bangladesh, Myanmar, and Thailand. By doing so, the Group hopes to capitalize on the growth prospects available in these markets and improve the performance of the CRD Business going forward.

The EPD and Water Management Business recorded a decreased in revenue during the Reporting Period as compared with the corresponding period of 2022. The development of the EPD and Water Management Business in the second half of the year is still relatively unstable.

Other Marine Business refers to services including installation of wind-powered generation equipment, bulk material hoisting and installation in dock and bridge construction and other engineering services. Since the Group enhanced its equipment capabilities for Other Marine Business last year, the Group has experienced a significant growth in segment revenue of Other Marine Business from approximately RMB116.6 million for the first half of the year 2022 to approximately RMB191.8 million during the Reporting Period.

With a gross floor area of 75,600 square meters for commercial leasing under the Property Management business, Xingyu International Houseware Plaza was positioned as a large-scale shopping center with domestic construction materials as its theme, offering one-stop services from furniture, housewares to decoration materials to customers. While the rental market has been recovering slowly after the pandemic, the revenue generated from the Property Management Business of the Group maintained a small growth during the Reporting Period as compared with the same period of last year.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately RMB220.7 million, representing an increase of 27.8% as compared with approximately RMB172.7 million in the corresponding period of 2022.

Regarding the CRD Business segment, the revenue generated during the Reporting Period was approximately RMB20.9 million which represented a decrease of 56.2% from the corresponding segment's revenue in the corresponding period of 2022. The decrease in revenue generated from the CRD Business segment was primarily due to the project owners' delay in implementation and not following the original project schedule of certain construction projects in mainland China and overseas for the first half of the year.

Regarding the EPD and Water Management Business segment, the revenue generated during the Reporting Period was approximately RMB3.5 million which represented a decrease of 27.2% as compared with the corresponding segment's revenue in the same period of 2022. The decrease in revenue was due to the fewer projects launched during the Reporting Period.

Other Marine Business contributed a revenue of approximately RMB191.8 million to the Group for the Reporting Period, which represented an increase of 64.5% as compared with the corresponding segment's revenue in the same period of 2022. The increase in revenue was due to the improvement of the Group's equipment capabilities for Other Marine Business in 2022 which in turn enhanced the project capacity that can be accommodated within a certain period of time.

The revenue of the Property Management Business for the Reporting Period was approximately RMB4.4 million, which represented an increase of 22.2% as compared with approximately RMB3.6 million in the corresponding period of 2022.

Operating costs and gross profit

The Group's operating costs increased by 1.9% from approximately RMB144.3 million for the six months ended 30 June 2022 to approximately RMB147 million for the Reporting Period.

The Group's gross profit increased by 159% from approximately RMB28.5 million for six months ended 30 June 2022 to approximately RMB73.7 million for the Reporting Period.

The segment gross profit margin of the CRD Business decreased from 16.1% for the six months ended 30 June 2022 to gross loss margin of 111.5% for the Reporting Period. The main cause of the losses was that the revenue generated during the Reporting Period was insufficient to cover the expenses incurred from depreciation and relevant equipment maintenance. The segment gross profit margin of the EPD and Water Management Business decreased from 27.1% for the six months ended 30 June 2022 to gross loss margin of 20% for the Reporting Period. Similar to the CRD Business, insufficient revenue generated during the Reporting Period to cover the expenses arising from depreciation and relevant equipment maintenance was the primary factor leading to the losses. The segment gross profit margin of the Other Marine Business increased from 6.4% for the six months ended 30 June 2022 to 46.2% for the Reporting Period. The primary reason for the increase in the segment's gross profit margin was the improvement in productivity and efficiency resulting from the enhanced capacity of the equipment.

The segment gross profit margin of the Property Management Business increased from 16.7% for the same period of last year to 27.3% for the Reporting Period.

As a result, the overall gross profit margin of the Group increased from 16.5% for the six months ended 30 June 2022 to the overall gross profit margin of 33.4% for the Reporting Period.

Other income

Other income decreased from approximately RMB4.7 million for the six months ended 30 June 2022 to approximately RMB4.6 million for the Reporting Period, which was mainly due to the decrease of sundry income for the Reporting Period.

Net other gain

The Group recorded a net other gain of approximately RMB1.5 million during the Reporting Period as compared with a net other gain of approximately RMB0.4 million for the six months ended 30 June 2022, which was primarily caused by the gain on restructuring of trade payable.

Marketing and promotion expenses

Marketing and promotion expenses for the Reporting Period was approximately RMB0.1 million, representing a decrease of 66.7% from approximately RMB0.3 million for the six months ended 30 June 2022, which was mainly caused by the tightened cost control.

Administrative expenses

Administrative expenses of the Group for the Reporting Period amounted to approximately RMB22.3 million, representing an increase of 40.3% from approximately RMB15.9 million for the six months ended 30 June 2022, which was mainly caused by the increase in depreciation on fixed assets including office building and relevant equipments.

Finance costs

Finance costs was approximately RMB12.6 million for the Reporting Period, representing a decrease of 7.1% as compared with that of the corresponding period last year.

Income tax expense

Income tax expense increased from approximately RMB9.7 million for the corresponding period in 2022 to approximately RMB20.0 million for the Reporting Period.

Profit for the period

As a combined effect of the above, the profit for the Reporting Period was approximately RMB25.0 million as compared with a loss of approximately RMB5.9 million for the same period in 2022.

Loss per share

Loss per share for the Reporting Period was about RMB0.33 as compared with a loss per share of about RMB1.17 for the same period of last year.

Financial position

As at 30 June 2023, total equity of the Group amounted to approximately RMB855.0 million (31 December 2022: approximately RMB837.8 million).

The Group's net current liabilities as at 30 June 2023 amounted to approximately RMB289.3 million (31 December 2022: approximately RMB325.3 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 30 June 2023 was 0.63 (31 December 2022: 0.6).

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 RMB40.6 million as at 30 June 2023 (31 December 2022: RMB35.1 million).

The Group's trade receivables as at 30 June 2023 decreased by 3.4% from approximately RMB323.3 million as at 31 December 2022 to approximately RMB312.4 million.

As at 30 June 2023, total liabilities of the Group were approximately RMB980.5 million, representing a decrease of about 6.7% as compared with that for the corresponding period last year. The Group's gearing ratio (calculated by interest bearing instruments (including bank borrowings and other borrowings) divided by total equity) was 45.8% (31 December 2022: 50.3%). The decrease in gearing ratio was primarily due to the repayment of bank borrowings and other borrowings during the Reporting Period.

Capital structure of the Group

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

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

Share consolidation

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

As at 30 June 2023, the total number of Shares in issue was 1,503,881,500.

Risk management policies

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

As most of the Group's trading transactions, monetary assets and liabilities were denominated mainly in Renminbi, which was the Group's functional and reporting currencies, and save for certain bank borrowings and balances denominated in United States dollars and Hong Kong dollars, the foreign exchange loss recognised for the Reporting Period was approximately RMB0.7 million (30 June 2022: gain of approximately RMB0.02 million). The Group is giving full attention to respond to the related foreign exchange rate risks.

The Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instrument. However, the Group continues to monitor its related interest rate exposure closely.

Charge over assets of the Group

As at 30 June 2023, the Group's bank borrowings were secured by charges over certain dredgers and land owned by the Group, a property owned by a company which Mr. Liu has beneficial interest, and personal guarantees by Mr. Liu Kaijin and Ms. Zhou Shuhua. There were also intra-group charges between two of the Company's wholly-owned subsidiaries as a result of the contractual arrangements, pursuant to which all economic benefits and risks arising from the business of Jiangsu Xingyu Holdings Group Limited* (江蘇興宇控股集團有限公司) have been transferred to Jiangsu Xiangyu Port Construction Project Administration Company Limited* (江蘇翔宇港建工程管理有限公司).

Material acquisitions and disposals

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

Capital commitments and contingent liabilities

As at 30 June 2023, the Group had capital commitments of approximately RMB73.6 million (31 December 2022: approximately RMB73.6 million) which mainly included the construction cost of the hotel.

As at 30 June 2023, the Group did not have any material contingent liability (31 December 2022: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had a workforce of 451 employees (31 December 2022: 471). Total staff cost for the Reporting Period was approximately RMB39.2 million (30 June 2022: approximately RMB30.6 million). The increase of approximately RMB9 million in staff cost was due to the partial non-payment of staff salaries on time during the pandemic period for various reasons. These unpaid salaries were deferred and paid within the Reporting Period resulting in an overall increase in the total amount of staff cost. The Group's remuneration policy is basically determined by the Directors, based on the performance of individual employees and the market conditions. In addition to salaries and discretionary bonuses, employee benefits included pension contributions and options which may be granted under the share option scheme.

PROSPECTS

Although the negative impact of the COVID-19 pandemic has gradually diminished, geopolitical tensions and inflationary pressures have hindered the pace and momentum of recovery across multiple industries. Faced with a complex and ever-changing environment, the Group will further strengthen its means and measures to stabilize income and sustain growth including maintaining a stable and skilful construction and management team and enhancing the Group's operational capabilities at appropriate conditions and timing.

In terms of capital operation, the Group will actively identify and implement sound and feasible financial plans based on the progress of overseas projects. This approach aims to enhance the Group's capital structure, thereby supporting and meeting the business development needs of the Group.

INTERIM DIVIDEND

The Directors have determined that no dividend will be paid in respect of the Reporting Period (six months ended 30 June 2022: 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 2023 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
Zhou Shuhua
Chairlady and Executive Director

Hong Kong, 31 August 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*