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 2023

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 2023, together with the audited comparative figures for the year ended 31 December 2022, 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 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**375,161**	385,472
Operating cost		**(329,408)**	(305,634)
Gross profit		**45,753**	79,838
Other income	6	**5,301**	7,859
Other gains and losses, net	7	**2,495**	(3,634)
Marketing and promotion expenses		**(164)**	(511)
Administrative expenses		**(46,354)**	(41,837)
Allowance for expected credit losses, net of reversal		**(117,793)**	(164,652)
Impairment losses on property, plant and equipment and right-of-use assets		**(40,161)**	(9,700)
Changes in fair values of investment properties		**(18,235)**	(142,606)
Share of results of an associate		**332**	(271)
Finance costs		**(24,975)**	(26,209)
Loss before tax		**(193,801)**	(301,723)
Income tax expenses	8	**(18,092)**	(13,412)
Loss and total comprehensive expenses for the year	9	**(211,893)**	(315,135)
Profit (loss) for the year attributable to:			
– Owners of the Company		**(230,665)**	(340,411)
– Non-controlling interests		**18,772**	25,276
		(211,893)	(315,135)
Total comprehensive (expenses) income for the year attributable to:			
– Owners of the Company		**(230,665)**	(340,411)
– Non-controlling interests		**18,772**	25,276
		(211,893)	(315,135)
Loss per share attributable to owners of the Company			
– Basic and diluted (RMB cents)	10	**(15.34)**	(22.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		**922,160**	1,050,948
Right-of-use assets		**44,685**	46,144
Investment properties		**278,431**	296,666
Goodwill		**201**	201
Interest in an associate		**3,838**	1,746
Equity instruments at fair value through other comprehensive income		**6,000**	3,000
Contract assets		**1,942**	39
		1,257,257	1,398,744
Current assets			
Trade and other receivables and prepayments	*12*	**341,278**	445,314
Contract assets		**2,998**	9,527
Bank balances and cash		**32,508**	35,067
		376,784	489,908
Current liabilities			
Trade and other payables	*13*	**415,742**	387,441
Contract liabilities		**6,618**	10,847
Amounts due to directors of the Company		**87,944**	88,613
Amounts due to non-controlling shareholders of a subsidiary		**3,192**	3,389
Tax payable		**65,051**	64,349
Bank borrowings	*14*	**196,200**	209,100
Other borrowings	*15*	**54,138**	50,399
Lease liabilities		**847**	1,105
		829,732	815,243
Net current liabilities		**(452,948)**	(325,335)
Total assets less current liabilities		**804,309**	1,073,409

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Capital and reserves			
Share capital		**255,247**	255,247
Reserves		**193,763**	424,428
Equity attributable to owners of the Company		**449,010**	679,675
Non-controlling interests		**168,917**	158,089
Total equity		**617,927**	837,764
Non-current liabilities			
Amounts due to non-controlling shareholders of a subsidiary		**56,177**	59,887
Other borrowings	*15*	**118,234**	161,552
Deferred tax liabilities		**11,620**	13,636
Lease liabilities		**351**	570
		186,382	235,645
		804,309	1,073,409

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 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**", together Mr. Liu, the "**Controlling Shareholders**"), 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 Company acts as an investment holding company and the particulars of its subsidiaries are set out in the annual report to the consolidated financial statements.

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 PRESENTATION 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 2023, the Group incurred a net loss attributable to the shareholders of the Company of approximately RMB230,665,000 (2022: RMB340,411,000) and, as of that date, the Group had net current liabilities of approximately RMB452,948,000 (2022: RMB325,335,000).

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 2023. 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 2023. 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 RMB82,074,000, 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 2023; 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 2023;

(2) The Directors consider that the banks and lenders will agree to renew the bank borrowings of approximately RMB196,200,000 and other borrowings of approximately RMB54,138,000, respectively which will be matured within the next twelve months from 31 December 2023;

(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 2023 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKFRS 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
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except as described below, the application of the new and amendments to HKFRSs in the current year has 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. 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 2023					
Segment revenue					
External sales	**30,069**	**9,006**	**334,300**	**1,786**	**375,161**
Segment results	**(151,085)**	**(29,146)**	**64,316**	**(5,732)**	**(121,647)**
Changes in fair value of investment properties					**(18,235)**
Unallocated allowance for expected credit losses of other receivables and prepayments, net of reversal					**(6,357)**
Unallocated other income, gains and losses, net					**7,797**
Unallocated corporate expenses					**(43,339)**
Share of results of an associate					**332**
Unallocated finance costs					**(12,352)**
Loss before tax					**(193,801)**
For the year ended 31 December 2022					
Segment revenue					
External sales	96,497	17,071	269,218	2,686	385,472
Segment results	(120,270)	(54,666)	75,323	(16,300)	(115,913)
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					(10,627)
Loss before tax					(301,723)

The accounting policies of the operating 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, net foreign exchange difference, central administration costs, certain allowance for expected credit losses recognised, directors' emoluments and certain finance cost and other items listed above. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets

An analysis of the Group's reportable segment assets 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*
As at 31 December 2023					
Segment assets	**368,189**	**292,070**	**628,327**	**311,460**	**1,600,046**
Unallocated assets:					
Right-of-use assets					**365**
Bank balances and cash					**32,508**
Other corporate assets					**1,122**
Consolidated assets					**1,634,041**
As at 31 December 2022					
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.

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.

Other segment information

	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*	Segment total *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
As of and for the year ended 31 December 2023							
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets	**–**	**–**	**622**	**–**	**622**	**–**	**622**
Depreciation of property, plant and equipment	**33,642**	**21,053**	**34,589**	**23**	**89,307**	**–**	**89,307**
Depreciation of right-of-use assets	**–**	**23**	**336**	**1,537**	**1,896**	**361**	**2,257**
Expected credit losses allowance, net of reversal	**81,142**	**9,095**	**15,404**	**5,795**	**111,436**	**6,357**	**117,793**
Impairment loss on property, plant and equipment and right-of-use assets	**40,161**	**–**	**–**	**–**	**40,161**	**–**	**40,161**
As of and for the year ended 31 December 2022							
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets	2,275	–	573	4,086	6,934	–	6,934
Depreciation of property, plant and equipment	39,332	15,961	35,315	23	90,631	–	90,631
Depreciation of right-of-use assets	189	23	396	1,538	2,146	652	2,798
Expected credit losses allowance, net of reversal	124,916	30,628	2,393	4,643	162,580	2,072	164,652
Impairment loss on property, plant and equipment and right-of-use assets	–	–	–	9,700	9,700	–	9,700

Geographical information

Revenue from external customers

Information about the Group's revenue from external customers is set out in Note 5(a)(iii) below.

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.

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:

	2023	2022
	RMB'000	RMB'000
Customer A		
– Other Marine Business	**76,981**	76,981

5. REVENUE

(a) Disaggregation of revenue from contracts with customers

(i) The Group derives revenue from the transfer of goods and services by categorise of major product lines and business

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers by categories		
– Capital and Reclamation Dredging Business	**30,069**	96,497
– Environment Protection Dredging and Water Management Business	**9,006**	17,071
– Other Marine Business	**334,300**	269,218
– Property Management Business	**1,786**	2,686
	375,161	385,472

(ii) The Group derives revenue from the transfer of goods and services by timing of revenue recognition

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
– At point in time	**–**	–
– Over time	**375,161**	385,472
	375,161	385,472

(iii) The Group derives revenue from the transfer of goods and services by geographical markets

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**357,967**	311,176
Other regions	**17,194**	74,296
	375,161	385,472

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

(b) Contract balances

		As at 31 December		As at 1 January
		2023	2022	2022
	Notes	***RMB'000***	*RMB'000*	*RMB'000*
Trade receivables	*12*			
– Contract with customers		**1,434,082**	1,422,109	1,619,680
– Operating leases receivables		**13,621**	13,574	13,178
		1,447,703	1,435,683	1,632,858
Less: Allowance for credit losses		**(1,221,411)**	(1,112,354)	(1,159,371)
		226,292	323,329	473,487
Contract assets		**5,324**	9,774	9,231
Less: Allowance for credit losses		**(384)**	(208)	(165)
		4,940	9,566	9,066
Contract liabilities		**6,618**	10,847	34,974

Information about the Group's trade receivables is set out in Note 12.

(c) Performance obligations for contracts with customers and revenue recognition policies

The Group is primarily engaged in the (i) provision of dredging and related contract services works; and (ii) property investment and provision of property management services.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities.

The Group recognises revenue when the significant risks and rewards of ownership of any goods and services have been transferred, and the Group's performance obligations for contracts with customers and revenue recognition policies are as follows:

(1) Provision of dredging and related contract services works

The Group's provision of dredging and related contract services works including: (i) provision of capital and reclamation dredging services and related consultation services (i.e. the "Capital and Reclamation Dredging Business"); (ii) provision of dredging, water management services and constructions for promoting environmental interests and water quality mainly for inland rivers services (i.e. the "Environment Protection Dredging and Water Management Business"); and (iii) provision of marine hoisting, installation, salvaging, vessel chartering and other engineering services (i.e. the "Other Marine Business);

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 over time based on the amount it has a right to invoice using output method.

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.

The Group's dredging and related contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits, when the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, 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 the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional; and

(2) Property investment and provision of property management services (i.e. the "Property Management Business").

For Property Management Business, the Group provides rentals and property management service fees to its tenants in a shopping mall and factories.

Rental income for shopping mall and factories from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Revenue from providing property management services for shopping mall and factories is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group.

The Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

The Group received property management services income, where the Group acts as a principal and is primary responsible for providing the property management services to the property owners. The Group entitles to revenue at the value of property management services fee received or receivable and recognises all related property management costs as its cost of service.

(d) Transaction price allocated to remaining performance obligation

The Group has applied practical expedient in paragraph 121 of HKFRS 15 Revenue from Contracts with Customers, to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date due to:

- The majority of the Company's dredging and related 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.

- The Group's property management services and rental income from Property Management Business are recognised at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date.

6. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Bank interest income	**638**	105
Government grants	**4,221**	6,476
Loan interest income	**377**	269
Sundry income	**65**	1,009
	5,301	7,859

7. OTHER GAINS AND LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
(Loss) gain on disposal of property, plant and equipment, net	**(1)**	16
Gain (loss) upon set-off of trade receivables and trade and other payables *(Note 13)*	**2,202**	(620)
Exchange gain and losses, net	**294**	(3,030)
	2,495	(3,634)

8. INCOME TAX EXPENSES

	2023	2022
	RMB'000	*RMB'000*
The charge comprises:		
Current tax		
PRC EIT Tax	**(20,108)**	(15,524)
Deferred tax		
– Current year	**2,016**	2,112
	(18,092)	(13,412)

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 FOR THE YEAR

	2023	2022
	RMB'000	*RMB'000*
Loss before tax has been arrived at after charging (crediting):		
Directors' emoluments	**718**	1,663
Other staff costs	**52,448**	55,401
Retirement benefit scheme contributions	**5,078**	5,638
Performance related bonuses	**–**	–
Equity-settled share-based payments	**–**	–
Total staff costs	**58,244**	62,702
Impairment losses recognised, net of reversal		
– Property, plant and equipment	**40,161**	9,700
– Right-of-use assets	**–**	–
	40,161	9,700
Gross rental income from investment properties		
– Environmental Protection Dredging and Water Management Business	**(4,534)**	(4,476)
– Property Management Business	**(1,800)**	(2,686)
	(6,334)	(7,162)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**45**	162
Direct operating expenses incurred for investment properties that did not generate rental income during the year	**106**	265
	(6,183)	(6,735)
Others:		
Auditor's remuneration	**1,388**	1,388
Depreciation of property, plant and equipment	**89,307**	90,631
Depreciation of right-of-use assets	**2,257**	2,798
Loss (gain) on disposal of property, plant and equipment, net	**1**	(16)
Operating cost	**329,408**	305,634

10. 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:

	2023	2022
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(230,665)**	(340,411)

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,503,882**	1,503,882

As at 31 December 2023 and 31 December 2022, the Group did not have other potential ordinary shares.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2023 and 31 December 2022, nor has any dividend been proposed since the end of the reporting period.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2023	2022
	RMB'000	*RMB'000*
Trade receivables		
– Contracts with customers	**1,434,082**	1,422,109
– Operating leases receivables	**13,621**	13,574
	1,447,703	1,435,683
Less: Allowance for credit losses	**(1,221,411)**	(1,112,354)
	226,292	323,329
Bills receivable	**30,003**	26,035
Value-added tax recoverable	**16,694**	15,736
Government financial incentive receivables, net	**–**	5,110
Other prepayments	**36,368**	36,526
Deposits	**13,345**	13,143
Loans to investees	**16,602**	21,304
Other receivables	**1,974**	4,131
	341,278	445,314

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

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

	2023	2022
	RMB'000	*RMB'000*
0–30 days	**43,226**	22,511
31–90 days	**24,545**	60,794
91–180 days	**20,834**	23,329
181–365 days	**35,931**	50,287
1 year–2 years	**48,984**	34,783
Over 2 years	**52,772**	131,625
	226,292	323,329

13. TRADE AND OTHER PAYABLES

		2023	2022
	Notes	***RMB'000***	*RMB'000*
Trade payables	*(a)*		
Sub-contracting charge		**121,953**	120,767
Fuel cost		**14,972**	15,174
Repair and maintenance		**15,120**	15,631
Others		**28,316**	14,354
		180,361	165,926
Other payables			
Payable for construction cost of investment properties	*(b) and (c)*	**70,973**	70,973
Accrual for other taxes		**51,147**	53,222
Accrual for staff salaries and welfare		**32,357**	39,823
Others	*(d)*	**80,904**	57,497
		235,381	221,515
		415,742	387,441

The ageing 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:

	2023	2022
	RMB'000	*RMB'000*
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	**160,827**	115,083
	180,361	165,926

Notes:

(a) As explained in Note 12, during the year ended 31 December 2023, pursuant to an agreement between the Company, certain customers and creditors, trade receivable of RMB39,053,000, net of allowance of RMB2,202,000 was applied to set-off for a trade payable of RMB39,053,000, resulting in gain of RMB2,202,000 which was charged to the profit or loss for the year and details of which are set out in Note 7.

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

(c) During the year ended 31 December 2022, pursuant to an agreement between the Company, a customer and creditor, trade receivable 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).

(d) As at 31 December 2023, included in other payables – others was RMB8,386,000 (2022: RMB5,000,000) provided for various interest and fee due to claims and debts.

14. BANK BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Secured bank borrowings		
Payment schedule according to contractual repayment terms		
Amount due for settlement within one year	**196,200**	209,100

15. OTHER BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Other borrowings:		
Secured other borrowing from Financing Company	**81,093**	130,492
Secured other borrowing	**8,260**	–
Unsecured other borrowings	**83,019**	81,459
	172,372	211,951
The above borrowings are repayable		
Within one year	**54,138**	50,399
Within a period of more than one year but not exceeding two years	**118,234**	133,521
Within a period of more than two years but not exceeding five years	**–**	28,031
	172,372	211,951

16. 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 2023 and 2022. As at 31 December 2023, the amount due to Mr. Liu was RMB82,074,000 (2022: RMB82,976,000).

Besides, the Group had provided shareholder loans to the associate and equity investment of RMB7,135,000 (2022: RMB11,024,000), net of allowance of RMB143,000 (2022: nil) and RMB9,806,000 (2022: RMB10,280,000), net of allowance of RMB196,000 (2022: nil) respectively. Loan interest of RMB377,000 (2022: RMB269,000) was paid by the associate during the year.

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

As at 31 December 2023 and 2022, other than pledge of assets of the Group, the Group's bank borrowings 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 shareholders of the Company's subsidiary.

In addition, bank borrowing of the Group of RMB62,600,000 (2022: RMB72,600,000) 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 2023, 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.

(iv) Related party balances

Details of the balances due to Directors are set out in amounts due to directors/shareholder of the Company to the consolidated financial statements.

(v) Compensation of key management personnel

The emoluments of Directors who are also identified as members of key management of the Group during the reporting period are set out in Directors', Chief Executive Officer's and employees' emoluments to the consolidated financial statements.

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 2023:

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 2023, 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 2023, 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 2023, the Group incurred a net loss attributable to the shareholders of the Company of approximately RMB230,665,000 and, as of that date, the Group had net current liabilities of approximately RMB452,948,000. 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 RMB82,074,000 as at 31 December 2023 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 2023;

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 2024 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 2023, 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) (the "**Property Management Business**").

Financial Review

Revenue

For the year ended 31 December 2023 (the "**Reporting Period**"), the Group recorded a slight decrease by about 2.7% in total revenue from approximately RMB385.5 million for the year ended 31 December 2022 to approximately RMB375.2 million.

As regards the CRD Business segment, revenue of approximately RMB30.1 million was recorded for the Reporting Period, which decreased significantly by about 68.8% when compared to that for the year ended 31 December 2022. The decrease in revenue generated from the CRD Business segment was primarily due to the downward momentum of the domestic and international economic situation, project owners' delay in implementation and the escalation in the frequency and duration of work stoppages of construction projects during the Reporting Period.

Revenue of approximately RMB9 million was recorded for the EPD and Water Management Business segment, representing a substantial decrease by about 47.2% from its corresponding segment revenue for the year ended 31 December 2022. The decrease in revenue was due to a reduction in the number of projects launched during the Reporting Period.

Revenue for the Other Marine Business was approximately RMB334.3 million, representing an increase of 24.2% as compared with the corresponding period of 2022. The main reason for the increase in revenue was an increases in the number of projects implemented during the Reporting Period. Most of the projects were wind power construction projects. Due to the increased emphasis on domestic investment in new and green energy sources, there are more opportunities for the construction of offshore wind power projects which provides the Company with greater business development opportunities in this field.

Revenue for the Property Management Business segment for the Reporting Period was approximately RMB1.8 million, which decreased by about 33.5% from approximately RMB2.7 million for the year ended 31 December 2022 due to the decrease in occupancy rate.

Operating Cost and Gross Profit

The Group's operating cost increased from approximately RMB305.6 million for the year ended 31 December 2022 to approximately RMB329.4 million during the Reporting Period, representing an increase of about 7.8%. The increase in operating cost was due to the increase in the frequency and duration of project shutdowns, and the rise in maintenance and repair costs of construction equipment, dredgers and vessels.

The Group recorded a gross profit of approximately RMB45.8 million for the Reporting Period as compared with a gross profit of approximately RMB79.8 million for the year ended 31 December 2022. Gross profit margin of 12.2% was recorded for the Reporting Period as compared with a gross profit margin of 20.7% for the year ended 31 December 2022. The decrease in projects, coupled with increase of work stoppage period, along with increased dredgers and vessels maintenance costs, have resulted in a drop in both gross profit and gross profit margin.

Net Other Gains and Losses

The Group recorded a net other gains of approximately RMB2.5 million during the Reporting Period as compared with a net other losses of approximately RMB3.6 million for year ended 31 December 2022, which was primarily caused by the gain on restructuring of trade payable 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 RMB117.8 million in total for the Reporting Period (2022: reverse the allowance approximately RMB164.7 million).

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

During the Reporting Period, a non-cash impairment loss of approximately RMB40.2 million (2022: approximately RMB9.7 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 RMB0.2 million, representing a decrease of about 67.9% as compared with approximately RMB0.51 million for the year ended 31 December 2022, which was mainly attributable to the decrease in marketing and promotion activities.

Administrative Expenses

Administrative expenses for the Reporting Period amounted to approximately RMB46.4 million, representing an increase of about 10.8% from approximately RMB41.8 million for the year ended 31 December 2022. This was mainly due to the increase of depreciation expenses in the Group's buildings during the Reporting Period.

Changes in fair values of investment properties

During the Reporting Period, the average occupancy rate of the shopping mall declined and the rental income generated from leasing out of shopping mall and part of the factory buildings of the Group was decreased from approximately RMB2.7 million in the year of 2022 to approximately RMB1.8 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 RMB220.0 million in the year of 2022 to approximately RMB205.3 million in the Reporting Period.

Finance Costs

Finance costs for the Reporting Period amounted to approximately RMB24.9 million, which decreased by about 4.7% when compared to that for the corresponding period last year.

Income Tax Expenses

The Group recorded an income tax expenses approximately RMB18.1 million for the Reporting Period, as compared with an income tax expenses approximately of RMB13.4 million for the year ended 31 December 2022. The increase in income tax expenses is mainly due to the increase in revenue generated from Other Maritime Business and the profit made therefrom.

Loss for the Year

Influenced by the above factors as a whole, in particular the non-cash allowance for expected credit loss, impairment losses on properties, plant and equipment and right-of-use of assets and change in fair value of investment properties, the net loss for the Reporting Period was approximately RMB211.9 million, as compared to a net loss of approximately RMB315.1 million for the year ended 31 December 2022.

Loss per Share

Loss per share for the Reporting Period was approximately RMB0.15 per share (2022: loss per share was approximately RMB0.23).

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 certain bank borrowings and deposits denominated in United States dollars and Hong Kong dollars, the foreign exchange gain recognised for the Reporting Period was approximately RMB0.3 million (31 December 2022: exchange loss of approximately RMB3.0 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 2023, the total equity of the Group amounted to approximately RMB617.9 million (31 December 2022: approximately RMB837.8 million). The decrease in total equity was mainly attributable to the loss made during for the Reporting Period.

The Group's net current liabilities as at 31 December 2023 amounted to approximately RMB452.9 million (31 December 2022: approximately RMB325.3 million). The current ratio, which is calculated by dividing current assets by current liabilities, was 0.45 as at 31 December 2023 (31 December 2022: 0.60).

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.

Included in current assets were cash and various bank deposits which was approximately RMB32.5 million in total as at 31 December 2023, representing an decrease by about 7.3% as compared with that of approximately RMB35.1 million as at 31 December 2022.

The Group's trade receivables as at 31 December 2023 amounted to approximately RMB226.3 million (2022: approximately RMB323.3 million), representing an increase by 0.8% when compared with that of the corresponding period of the preceding year.

As at 31 December 2023, total liabilities of the Group amounted to approximately RMB1,016.1 million (31 December 2022: approximately RMB1,050.9 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 59.7% (2022: 50.3%).

Charge over Assets of the Group

As at 31 December 2023, the Group's bank and other 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, and shares of a subsidiary company held by the Company 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 2023, the Group had capital commitments of approximately RMB73.6 million (31 December 2022: approximately RMB73.6 million), which mainly included the construction and decoration costs of a hotel.

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

Business Review

Over the past few years, the Group has been actively pursuing expansion in international markets while also maintaining a strong presence in the domestic market. Throughout the Reporting Period, the Group remained engaged in dredging projects in Malaysia, Myanmar, and Indonesia. However, the challenging economic conditions both domestically and internationally had a severe impact leading to a shortage of successful project implementation. This, in turn, led to a notable increase in work stoppages, prolonged durations of inactivity, and a significant decline in productivity. Consequently, the Group experienced a substantial decrease in both domestic and overseas results.

In 2023, due to the overall downturn in the domestic macro-economy, the performance of the environmental protection dredging and water management business continued to decrease and it is expected to be difficult to achieve significant growth in the near future.

Other Maritime Business, which is now the main focus of the Group, include the installation of offshore wind power equipment, heavy lifting for port and bridge construction, underwater pipeline laying, and other engineering services. These businesses have benefited from the continuous national adjustments to the energy structure and the implementation of several supportive policies for clean energy in recent years. This has resulted in a significant market opportunity for offshore wind power, leading to a certain level of growth in performance.

Xingyu International Houseware Plaza, 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 meters, is mainly used for leasing under the Property Management Business. However, due to the decrease in occupancy rate, the revenue generated from the leasing of the properties of the Plaza decreased.

In addition to the Houseware Plaza, the Group has a hotel with a total gross floor area of approximately 20,000 square meters which has been under construction in the west side of Caihong Road in Yancheng City, Jiangsu Province, the PRC.

PROSPECTS

The Group remains committed to vigilant monitoring of market conditions, taking necessary measures to mitigate the negative effects of economic slowdown. Emphasis will be placed on controlling project costs, ensuring stability in construction projects, operations, and management. Simultaneously, the Group will adopt a strong and cautious operating strategy to effectively manage operational risks and expedite receivables collection.

In terms of capital operations, the Group will proactively identify and implement sound financial plans, including optimizing receivables collection and enhancing the group's capital structure, to support and facilitate business development. Timely preventive measures have been implemented to safeguard employee health and safety, fostering resilience for the Group's recovery and growth.

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 2023, the Group had 443 (2022:471) employees. The total staff cost for the Reporting Period was approximately RMB58.2 million (2022: approximately RMB62.7 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 2023 (2022: 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 2023.

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, save and except taking out the Directors and Officers liability insurance policy as set out in code provision under Appendix C1, namely the renewal of the relevant insurance policy for 12 months effective from 1st April 2023 was not successfully taken out and the insurance policy was thus terminated. And the said inaction as such was believed to have been caused by miscommunication and/or other inadvertently administrative mistake. Meanwhile, to correct the situation as regards the insurance renewal, necessary remedial action has been taken. The Finance department and Company Secretary office have been instructed by the Directors to coordinate and ensure that such errors will not occur again in the future. The Directors confirm that, after due enquiry, the Directors are not aware of any claim or circumstance which may give rise to a claim under the Directors & Officers' Liability Insurance and a new Directors & Officers' Liability Insurance policy effective from 1st April 2024, has already been taken out.

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 2023.

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 2023.

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 2023 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 2023. 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 2023 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, 28 March 2024

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

* *For identification purpose only*