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华滋国际海洋股份有限公司
Watts International Maritime Company Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2258)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

Financial Summary

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue	1,024,056	960,533
Gross profit	80,972	88,444
Profit before income tax	18,709	29,806
Profit for the period	15,301	24,166
Total comprehensive income for the period attributable to the Shareholders of the Company	15,328	22,710
Earnings per share for profit attributable to the Shareholders of the Company (expressed in RMB cents per share):		
— Basic earnings per share	1.87	2.95
— Diluted earnings per share	1.87	2.95
	30 June	31 December
	2022	2021
	Unaudited	Audited
	RMB'000	RMB'000
Total assets	3,222,289	3,335,550
Total equity	707,875	703,360

Interim results for the six months ended 30 June 2022

The Board hereby announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2022, which have been reviewed by the Audit Committee, and have been approved by the Board on 25 August 2022.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 Unaudited RMB'000	2021 Unaudited RMB'000
Revenue	3	1,024,056	960,533
Cost of sales	3	(943,084)	(872,089)
Gross profit		80,972	88,444
Selling and distribution expenses		(1,747)	(1,891)
Administrative expenses		(52,758)	(47,737)
Net impairment losses on financial assets		(5,286)	(2,975)
Other operating expenses		(179)	(675)
Other income		2,593	4,128
Other gains/(losses) — net		5,630	(1,813)
Operating profit		29,225	37,481
Finance income		2,110	2,811
Finance costs		(12,626)	(10,486)
Profit before income tax		18,709	29,806
Income tax expense	4	(3,408)	(5,640)
Profit for the period		<u>15,301</u>	<u>24,166</u>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		509	(1,837)
Changes in the fair value of equity instruments at fair value through other comprehensive income		(482)	381
Other comprehensive income for the period, net of tax		27	(1,456)
Total comprehensive income for the period attributable to the Shareholders of the Company		<u>15,328</u>	<u>22,710</u>
Earnings per share for profit attributable to the Shareholders of the Company (expressed in RMB cents per share):			
— Basic earnings per share	5	<u>1.87</u>	<u>2.95</u>
— Diluted earnings per share	5	<u>1.87</u>	<u>2.95</u>

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2022

	<i>Notes</i>	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		84,374	86,557
Right-of-use assets		13,189	14,117
Intangible assets		182	292
Contract assets	3	269,359	538,541
Trade and other receivables	6	117,959	152,086
Deferred tax assets		19,857	15,997
Financial assets at fair value through other comprehensive income		5,771	6,253
		510,691	813,843
Current assets			
Inventories		46,868	42,708
Contract assets	3	745,078	642,639
Trade and other receivables	6	1,217,227	1,316,533
Financial assets at fair value through profit or loss		1,312	—
Restricted cash	7	433,225	75,994
Cash and cash equivalents	7	267,888	443,833
		2,711,598	2,521,707
Total assets		3,222,289	3,335,550
EQUITY			
Capital and reserves			
Share capital		7,303	7,303
Shares held for employee share scheme		(4,756)	(4,756)
Share premium		280,692	291,505
Other reserves		17,068	14,404
Retained earnings		407,568	394,904
Total equity		707,875	703,360

	<i>Notes</i>	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		17,000	19,500
Lease liabilities		2,922	2,941
Trade and other payables	8	<u>229,865</u>	<u>260,127</u>
		<u>249,787</u>	<u>282,568</u>
Current liabilities			
Lease liabilities		2,098	2,117
Borrowings		196,179	104,885
Trade and other payables	8	1,987,705	2,175,944
Income tax payables		18,684	20,377
Contract liabilities	3	<u>59,961</u>	<u>46,299</u>
		<u>2,264,627</u>	<u>2,349,622</u>
Total liabilities		<u>2,514,414</u>	<u>2,632,190</u>
Total equity and liabilities		<u><u>3,222,289</u></u>	<u><u>3,335,550</u></u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

1 GENERAL INFORMATION

Watts International Maritime Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 20 December 2017 as an exempted company with limited liability under the Companies Law, Cap.22 (Law of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company, an investment holding company, and its subsidiaries (together, “**the Group**”) provide marine construction and municipal public construction business in Mainland China and Southeast Asia. The ultimate controlling shareholders are Mr. Wang Shizhong, Mr. Ye Kangshun, Mr. Wang Xiuchun, Ms. Zhou Meng, Mr. Wang Shiqin, Mr. Wang Likai (“**Controlling Shareholders**”), who are parties acting collectively and have been controlling the group companies since their incorporation.

The Company completed its initial public offering and its shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 November 2018 (the “**Listing**”).

The condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated, and were approved for issue by the Board of Directors (the “**Board**”) on 25 August 2022.

The condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the half-year reporting period ended 30 June 2022 has been prepared in accordance with Accounting Standard HKAS 34 “Interim Financial Reporting”.

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this information is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to HKFRS Standards 2018– 2020		1 January 2022

(b) New and amended standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

3 SEGMENT INFORMATION

(a) Description of segments and principal activities

The chief operating decision-maker has been identified as the executive directors. The Group's management evaluates the Group's performance both from a service and geographic perspective and has identified two reportable segments of its business:

- (i) Marine construction, including infrastructure construction of ports, waterway engineering and other services; and
- (ii) Municipal public construction, including construction of public infrastructure within cities, urban greening and construction of buildings.

The segment results represent the gross profit of marine construction and municipal public construction.

Segment assets and liabilities are measured in the same way as in the condensed consolidated interim financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. These liabilities are allocated based on the operations of the segment.

(b) Segment results and other information

The revenue from customers is measured in the same way as in the condensed consolidated interim statement of comprehensive income.

The segment information for the six months ended 30 June 2022 is as follows:

	Six months ended 30 June 2022 (unaudited)		
	Marine construction <i>RMB'000</i>	Municipal public construction <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	240,312	783,744	1,024,056
Cost of sales	<u>(229,977)</u>	<u>(713,107)</u>	<u>(943,084)</u>
Gross profit	<u>10,335</u>	<u>70,637</u>	<u>80,972</u>
Unallocated items:			
Operating expenses			(59,970)
Other income			2,593
Other gains — net			5,630
Finance costs — net			<u>(10,516)</u>
Profit before income tax			18,709
Income tax expense (<i>Note 4</i>)			<u>(3,408)</u>
Profit for the period			<u><u>15,301</u></u>
Segment items included:			
Depreciation and amortisation	(6,100)	(3,921)	(10,021)
Net impairment losses on financial assets	<u>(2,901)</u>	<u>(2,385)</u>	<u>(5,286)</u>

The segment assets and liabilities as at 30 June 2022 are as follows:

	As at 30 June 2022 (unaudited)			
	Marine construction <i>RMB'000</i>	Municipal public construction <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Total assets	<u>1,551,978</u>	<u>1,776,145</u>	<u>(105,834)</u>	<u>3,222,289</u>
Total liabilities	<u>1,122,208</u>	<u>1,498,040</u>	<u>(105,834)</u>	<u>2,514,414</u>

The segment information for the six months ended 30 June 2021 is as follows:

	Six months ended 30 June 2021 (unaudited)		
	Marine construction <i>RMB'000</i>	Municipal public construction <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	475,996	484,537	960,533
Cost of sales	<u>(435,551)</u>	<u>(436,538)</u>	<u>(872,089)</u>
Gross profit	<u>40,445</u>	<u>47,999</u>	<u>88,444</u>
Unallocated items:			
Operating expenses			(53,278)
Other income			4,128
Other losses — net			(1,813)
Finance costs — net			<u>(7,675)</u>
Profit before income tax			29,806
Income tax expense (<i>Note 4</i>)			<u>(5,640)</u>
Profit for the period			<u><u>24,166</u></u>
Segment items included:			
Depreciation and amortisation	(5,889)	(3,715)	(9,604)
Net impairment losses on financial assets	<u>(613)</u>	<u>(2,362)</u>	<u>(2,975)</u>

The segment assets and liabilities as at 31 December 2021 are as follows:

	As at 31 December 2021 (audited)			
	Marine construction <i>RMB'000</i>	Municipal public construction <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Total assets	<u>1,732,275</u>	<u>1,709,109</u>	<u>(105,834)</u>	<u>3,335,550</u>
Total liabilities	<u>1,277,298</u>	<u>1,460,726</u>	<u>(105,834)</u>	<u>2,632,190</u>

(c) **Revenue from contract with customers and cost of sales**

Revenue from customers by region, based on the location of the customers:

	For the six months ended 30 June (unaudited)					
	2022			2021		
	Marine construction RMB'000	Municipal public construction RMB'000	Total RMB'000	Marine construction RMB'000	Municipal public construction RMB'000	Total RMB'000
Mainland China						
Revenue	152,184	783,744	935,928	364,685	484,537	849,222
Cost of sales	(147,457)	(713,107)	(860,564)	(331,802)	(436,538)	(768,340)
	<u>4,727</u>	<u>70,637</u>	<u>75,364</u>	<u>32,883</u>	<u>47,999</u>	<u>80,882</u>
Southeast Asia						
Revenue	88,128	—	88,128	111,311	—	111,311
Cost of sales	(82,520)	—	(82,520)	(103,749)	—	(103,749)
	<u>5,608</u>	<u>—</u>	<u>5,608</u>	<u>7,562</u>	<u>—</u>	<u>7,562</u>

(d) **Segment assets by territory**

Non-current assets, other than non-current receivables, contract assets, financial assets at fair value through other comprehensive income and deferred tax assets, by territory:

	As at	
	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Mainland China	82,664	89,474
Southeast Asia	15,081	11,492
Total	<u>97,745</u>	<u>100,966</u>

(e) **Contract assets and liabilities**

The Group recognised the following assets and liabilities relating to contract with customers:

	As at	
	2022	2021
	30 June	31 December
	Unaudited	Audited
	RMB'000	RMB'000
Contract assets		
Current portion		
Marine construction	387,376	441,216
Municipal public construction	378,125	216,493
Less: allowance for impairment of contract assets	(20,423)	(15,070)
	745,078	642,639
Non-current portion		
Marine construction	117,287	83,383
Municipal public construction	159,518	469,188
Less: allowance for impairment of contract assets	(7,446)	(14,030)
	269,359	538,541
Total contract assets	1,014,437	1,181,180
Contract liabilities		
Marine construction	15,075	12,859
Municipal public construction	44,886	33,440
Total contract liabilities	59,961	46,299

4 INCOME TAX EXPENSE

The amounts of tax expense charged to the condensed consolidated interim statement of comprehensive income represent:

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	7,256	7,636
Deferred income tax	(3,848)	(1,996)
	<hr/>	<hr/>
Income tax expense — net	<u>3,408</u>	<u>5,640</u>

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the entity operates.

(a) Cayman Islands profit tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and is exempted from payment of the Cayman Islands income tax.

(b) British Virgin Islands (“BVI”) profits tax

The Company’s subsidiaries incorporated in the BVI are exempted from BVI income tax, as they are incorporated under the International Business Companies Act of the BVI.

(c) Hong Kong profits tax

One of the Company’s subsidiaries incorporated in Hong Kong, is subject to Hong Kong profits tax. The applicable Hong Kong profits tax rate is 16.5% for the six months ended 30 June 2022 and 2021.

(d) PRC corporate income tax (“CIT”)

The Group’s subsidiaries in the PRC are subject to PRC CIT which is calculated based on the applicable tax rate of 25% (2021: 25%) on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations, except for the one as disclosed below.

Third Harbor Maritime, a subsidiary of the Group, is approved to be new and high-technology enterprise since the year ended 31 December 2019 and is entitled to a preferential income tax rate of 15%. The certificate of new and high-technology enterprise is subject to renewal for each three-year interval.

(e) Brunei income tax

One of the Company’s subsidiaries incorporated in Brunei is subject to Brunei income tax. The applicable Brunei income tax rate is 18.5% for the six months ended 30 June 2021 and 2022.

(f) Indonesia income tax

One of the Company’s subsidiaries incorporated in Indonesia is subject to Indonesia income tax. Indonesia income tax is charged through a system of withholding taxes. The customers of the Group are required to withhold final income tax for construction services and the banks are required to withhold final income tax on interest income from bank deposits. For the six months ended 30 June 2022, income tax was provided at the rate of 2.65% on the construction (2021: 3%) and income tax of 20% was provided on the interest income from bank deposits, according to respective Indonesia income tax laws and regulations.

5 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the six months ended 30 June 2022 and 2021 attributable to the Shareholders of the Company and the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Profit attributable to the Shareholders of the Company (<i>RMB’000</i>)	15,301	24,166
Weighted average number of ordinary shares in issue (<i>thousands</i>)	819,008	819,008
Total basic earnings per share attributable to the ordinary equity holders of the Group (<i>RMB cents</i>)	<u>1.87</u>	<u>2.95</u>

(b) Diluted earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 30 June 2022 and 2021.

6 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2022	31 December 2021
	Unaudited	Audited
	RMB'000	RMB'000
Trade receivables (<i>i</i>)	956,773	1,106,874
Less: allowance for impairment of trade receivables	<u>(90,633)</u>	<u>(86,210)</u>
Trade receivables — net	<u>866,140</u>	<u>1,020,664</u>
Retention receivables (<i>ii</i>)	218,468	253,332
Less: allowance for impairment of retention receivables	<u>(25,459)</u>	<u>(23,335)</u>
Retention receivables — net	<u>193,009</u>	<u>229,997</u>
Bills receivables (<i>i</i>)	30,812	26,810
Long-term trade receivables (<i>iii, iv</i>)	49,040	50,874
Less: allowance for impairment of long-term trade receivables	<u>(1,789)</u>	<u>(1,750)</u>
Long-term trade receivables-net	<u>47,251</u>	<u>49,124</u>
Other receivables	78,873	51,161
Prepayments	116,271	89,363
Prepaid taxation	<u>2,830</u>	<u>1,500</u>
	<u>1,335,186</u>	<u>1,468,619</u>
Less: non-current portion		
Retention receivables (<i>ii</i>)	(68,251)	(102,030)
Long-term trade receivables (<i>iii, iv</i>)	(43,612)	(45,574)
Other receivables	<u>(6,096)</u>	<u>(4,482)</u>
	<u>(117,959)</u>	<u>(152,086)</u>
Current portion	<u><u>1,217,227</u></u>	<u><u>1,316,533</u></u>

- (i) The Group's revenues are generated through marine construction services and municipal public construction services. Settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, certain customers may have large trade receivables balances, there may be concentration of credit risk. The customers of certain long ageing trade and retention receivables are related to some large projects and the customers have strong financial capacity with low credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances.

The carrying amounts of trade and retention receivables approximate their fair value as at 30 June 2022 and 31 December 2021.

As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade and bills receivables based on the payment requests acknowledged by the customers is as follows:

	As at	
	30 June 2022	31 December 2021
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	222,342	418,251
4 to 6 months	82,950	134,618
7 to 12 months	129,845	142,021
1 to 2 years	244,889	172,778
2 to 3 years	119,913	119,426
Over 3 years	187,646	146,590
	987,585	1,133,684

- (ii) Retention receivables represent amounts due from customers upon completion of the free maintenance period of the construction services, which normally lasts from one to five years, and the maintenance cost is usually immaterial during that period. In the condensed consolidated interim statement of financial position, retention receivables are classified as current assets if they are expected to be received in one year or less. If not, they are presented as non-current assets. The ageing of the retention receivables is as follows:

	As at	
	30 June 2022	31 December 2021
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	103,686	134,239
1 to 2 years	4,895	29,024
2 to 3 years	53,904	36,035
3 to 4 years	3,057	1,498
4 to 5 years	17,738	43,543
Over 5 years	35,188	8,993
	218,468	253,332
	218,468	253,332

The credit terms granted to customers by the Group are usually 30 to 60 days.

- (iii) Long-term trade receivables represent amounts due from customers for services performed relating to a public-private-partnership with quarterly instalment in fifteen years. Long-term trade receivables were measured at amortised cost using the effective interest method at average rate of 5.39%.
- (iv) As at 30 June 2022, the Group pledged long-term trade receivables with carrying amount of approximately RMB47,251,000 (As at 31 December 2021: RMB49,124,000) for the bank borrowings amounted to RMB22,000,000 (As at 31 December 2021: RMB24,500,000).

7 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2022	31 December 2021
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Cash on hand	576	422
Cash at bank	700,537	519,405
Less: Restricted cash	<u>(433,225)</u>	<u>(75,994)</u>
	<u>267,888</u>	<u>443,833</u>

The restricted cash represents the following balances:

	As at	
	30 June 2022	31 December 2021
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Cash received for specified project expenditure (i)	396,839	4,985
Deposits for wages of migrant labours	30,271	63,787
Restricted cash for litigation	5,916	4,366
Deposits for issuing letter of guarantee	<u>199</u>	<u>2,856</u>
	<u>433,225</u>	<u>75,994</u>

- (i) Cash received for specified project expenditure mainly represents deposits at bank received from customers as progress payments for certain projects, however, those deposits at bank are assigned for the expenditure of relative projects, which require additional approval by the person appointed by customers before the completion of the project. The restricted cash will be recognised as free operating cash inflow when approvals are available or the project is completed.

8 TRADE AND OTHER PAYABLES

	As at	
	30 June 2022	31 December 2021
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (i)	1,384,403	1,579,958
Retention payables (ii)	188,924	194,899
Long-term payables (iii)	368,253	391,175
Payroll and social security	15,966	19,927
Other payables	120,147	98,515
Dividends payable	10,911	—
Other tax liabilities excluding income tax liabilities	128,966	151,597
	<u>2,217,570</u>	<u>2,436,071</u>
Less: non-current portion		
Retention payables (ii)	(106,444)	(107,118)
Long-term payables (iii)	(57,362)	(112,608)
Other payables	(66,059)	(40,401)
	<u>(229,865)</u>	<u>(260,127)</u>
Current portion	<u><u>1,987,705</u></u>	<u><u>2,175,944</u></u>

- (i) The Group's trade payables are mainly denominated in the RMB.

As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade payables based on the payment requests is as follows:

	As at	
	30 June 2022	31 December 2021
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	191,478	607,472
4 to 6 months	179,837	199,662
7 to 12 months	373,719	265,183
1 to 2 years	269,128	136,495
2 to 3 years	181,927	162,017
Over 3 years	188,314	209,129
	<u>1,384,403</u>	<u>1,579,958</u>

- (ii) Retention payables represent amounts due to suppliers upon completion of the free maintenance period of the construction services, which normally lasts from one to five years. In the condensed consolidated interim statement of financial position, retention payables are classified as current liabilities if they will be required to be paid in one year or less. If not, they are presented as non-current liabilities. The ageing of the retention payables is as follows:

	As at	
	30 June 2022	31 December 2021
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	35,205	19,786
1 to 5 years	99,175	119,636
Over 5 years	54,544	55,477
	<u>188,924</u>	<u>194,899</u>

(iii) Long-term payables mainly consist of long-term trade payables and amount due to Watts Gallop Holding Group Co., Ltd. (“**Watts Gallop**”) of approximately RMB24,880,000, representing unsettled consideration for the acquisition. Long-term trade payables represent amounts due to suppliers for certain construction services with unbilled payables and the expected billing period is over one year. For some suppliers, usually 10% to 35% of the payments will be paid upon the completion of the construction and 5% to 10% of the payments will be paid after the warranty period expires. Long-term payables are measured at amortised cost using the effective interest method at the average rate from 3.97% to 5.01%. In the condensed consolidated interim statement of financial position, long-term payables are classified as current liabilities if they will be required to be paid in one year or less. If not, they are presented as non-current liabilities. The ageing analysis of the long-term payables is as follows:

	As at	
	30 June 2022	31 December 2021
	Unaudited	Audited
	RMB'000	RMB'000
Within 1 year	89,469	139,884
1 to 5 years	204,849	172,873
Over 5 years	73,935	78,418
	<u>368,253</u>	<u>391,175</u>

9 DIVIDENDS

At a meeting held on 29 March 2022, the Board proposed a final dividend of HK\$1.60 cents (equivalent to RMB1.31 cents) per share for the year ended 31 December 2021. This proposed dividend, representing total amount of approximately HK\$13,206,000 (equivalent to RMB10,813,000), was reflected as an appropriation of share premium for the six months ended 30 June 2022 upon approval by the Shareholders at the annual general meeting of the Company held on 16 June 2022. This final dividend has been paid in August 2022.

10 COMMITMENTS

(a) Capital commitments

As at 30 June 2022 and 31 December 2021, the Group and the Company did not have significant capital commitments.

(b) Non-cancellable operating leases

As lessee

The Group leases various offices and land under non-cancellable operating leases expiring within one to three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low value leases.

Minimum lease payments under non-cancellable operating leases not recognised in the financial statements are payable as follows:

	As at	
	30 June 2022	31 December 2021
	Unaudited	Audited
	RMB'000	RMB'000
No later than 1 year	290	150

As lessor

As at 30 June 2022 and 31 December 2021, the Group had the following total future minimum lease receivables under the non-cancellable operating leases falling due as follows:

	As at	
	30 June 2022	31 December 2021
	Unaudited	Audited
	RMB'000	RMB'000
No later than 1 year	966	1,932

11 EVENT AFTER THE REPORTING PERIOD

There were no other material subsequent events undertaken by the Company or by the Group after 30 June 2022.

Management Discussion and Analysis

The Company is a leading port, waterway, maritime engineering and municipal public engineering services provider in the PRC and is committed to the services of (i) port infrastructure, (ii) waterway engineering, (iii) construction of public infrastructure within cities, (iv) urban greening and (v) construction of buildings.

Business Review

In the first half of 2022, the Group has been adversely affected by the COVID-19 pandemic. In addition, the competition in China's engineering industry becomes more intense. The Group continually re-upgraded its risk management and control system to prevent and control risks, steadily developed its core engineering businesses and the new area of environmental technology businesses.

The following table sets forth a breakdown of the Group's revenue by segment for the six months ended 30 June 2022:

	Revenue recognised during the Reporting Period (Unaudited) (RMB million)
Marine construction (including infrastructure construction of ports, waterway engineering and other services)	240.3
Municipal public construction (including construction of public infrastructure within cities, urban greening and construction of buildings)	783.7
Total	<u>1,024.0</u>

Future Plans and Prospects

With the ongoing pandemic and geopolitical turmoil, the global economy is in a fragile recovery process. The Group will continue to monitor the market conditions of marine and municipal works construction, integrate the Group's internal resources, optimise project cost control, enhance risk management and control capabilities simultaneously, consolidate the foundation and expand new businesses, and develop environmental technology business to improve shareholders' returns.

From the perspective of the domestic market, China's economic development is under the triple pressure of shrinking demand, supply shock and expected weakening. However, China's development resilience is strong, the market space is open, and the long-term positive fundamentals remain unchanged. Since last year, the central government has successively introduced a series of measures to stabilise the macro-economic market. In the annual government work report, it has emphasised that effective investment should be actively expanded, infrastructure investment should be carried out moderately ahead of schedule, cross-cycle and counter-cyclical adjustments should be strengthened, and investment in infrastructure construction will continue to grow. The Group will firmly seize the new market opportunities, highlight the main business, focus on construction, forge core technology and core team, improve market participation, and seek greater development. At the same time, the Group will focus on green construction and increase continuous investment in environmental technology business to make steady progress in the uncertain economic situation.

From the perspective of the international market, the global pandemic has been recurrent. Faced with geopolitical and economic uncertainties, the global economic growth has slowed down and the pressure of global inflation has exacerbated, which has weakened business confidence and investment, and further weakened the short-term economic growth. The Group's business development in Southeast Asia has also been affected to varying degrees. However, Southeast Asian countries have a strong demand for infrastructure and a vast market for infrastructure such as ports and wharves. The Group will closely follow the development trend of infrastructure construction market in Southeast Asian countries, increase investment in risk management and control system, expand the market share of infrastructure construction in Southeast Asia, and participate in the construction of the "Belt and Road" with high quality.

Financial Overview

Revenue

The Group's consolidated revenue in the first half of 2022 was RMB1,024.0 million, representing a year-on-year increase of approximately 6.6% from RMB960.5 million in the same period of last fiscal year. The main operation income was divided into marine construction segment, and municipal public construction segment during the Reporting Period, with revenues of RMB240.3 million and RMB783.7 million, respectively. Revenues from the PRC and Southeast Asia in the first half of 2022 were RMB935.9 million and RMB88.1 million, respectively. The increase in revenue in the first half of 2022 was mainly attributable to that the Group has undertaken more projects and strengthened project management resulting in faster project progress.

Cost of sales and profits from main operations

The consolidated cost of sales in the first half of 2022 was RMB943.1 million, representing an increase of 8.1% from RMB872.1 million in the first half of 2021. The costs of marine construction segment and municipal public construction segment in the first half of 2022 were RMB230.0 million and RMB713.1 million, respectively. In the first half of 2022, costs incurred in the PRC and Southeast Asia were RMB860.6 million and RMB82.5 million, respectively.

Cost of sales mainly consists of the cost of used raw materials and consumables and subcontracting costs. In the first half of 2022, cost of used raw materials and consumables and subcontracting costs were RMB524.3 million and RMB343.2 million, representing an increase of 20.9% and a decrease of 3.8% from the first half of 2021 respectively. The Group's profit from main operations largely depends on the location and composition of the project. In the first half of 2022, the Group's consolidated profit from main operations was RMB80.9 million, a decrease of 8.5% from RMB88.4 million in the first half of 2021. The gross profits from the marine construction segment and municipal public construction segment in the first half of 2022 were RMB10.3 million and RMB70.6 million, respectively. The gross profits from the PRC and Southeast Asia were RMB75.3 million and RMB5.6 million, respectively.

Operating profit in the first half of 2022 was RMB29.2 million, representing a decrease of 22.1% from RMB37.5 million in the first half of 2021, mainly due to the increase in the cost of raw materials and consumables and the impact of the COVID-19 pandemic (such as periodic quarantine, lockdown and travel restrictions), which led to the delay of work schedule for the Group's existing and ongoing construction in and outside China these years.

Administrative expenses

The administrative expenses in the first half of 2022 were RMB52.8 million, representing an increase of 10.7% compared to RMB47.7 million in the first half of 2021, primarily because the Company has undertaken more construction projects and the recurrent impact of the COVID-19 pandemic, thus increasing the expenditure of administrative expenses during the Reporting Period.

Income tax expense

The Group's income tax expense in the first half of 2022 was RMB3.4 million, representing a decrease of 39.3% compared to RMB5.6 million in the first half of 2021, mainly due to the decrease in profit before tax during the Reporting Period.

Trade and other receivables

The Group's net trade and other receivables decreased to RMB1,335.2 million as at 30 June 2022 (as at 31 December 2021: RMB1,468.6 million), which mainly comprised of progress receivables on projects, receivables on project completion, delivery and settlement, and retention receivables on completed projects. The decrease of trade and other receivables in the first half of 2022 was mainly due to the completion of some projects and the collection of payments due. The Group has assessed the expected credit losses and has made proper provisions for impairment losses. The Group's net contract assets decreased by RMB166.8 million to RMB1,014.4 million as at 30 June 2022 from RMB1,181.2 million as at 31 December 2021.

Trade and other payables

The Group's trade and other payables decreased to RMB2,217.6 million as at 30 June 2022 (as at 31 December 2021: RMB2,436.1 million), mainly due to the impact of the COVID-19 outbreak and the supply shock, the Group strengthened the management of suppliers and subcontractors and payment of amounts due. The Group's trade and other payables decreased accordingly.

Current assets, capital structure, and gearing ratio

The Group maintained a healthy liquidity position with net current asset and cash and cash equivalents of approximately RMB447.0 million (as at 31 December 2021: RMB172.1 million) and RMB267.9 million (as at 31 December 2021: RMB443.8 million), respectively as at 30 June 2022.

As at 30 June 2022, The Group's restricted cash was approximately RMB433.2 million (as at 31 December 2021: RMB76.0 million). Cash received for specified project expenditure mainly represents deposits at bank received from customers as progress payments for certain projects, however, those deposits at bank are assigned for the expenditure of relative projects, which require additional approval by the person appointed by customers before the completion of the project. The restricted cash will be recognised as free operating cash inflow when approvals are available or the project is completed.

The Group's gearing ratio (calculating by dividing total liabilities by total assets) as at 30 June 2022 was 78.0% (as at 31 December 2021: 78.9%). The Group's bank borrowings as at 30 June 2022 were RMB213.2 million (as at 31 December 2021: RMB124.4 million) which are denominated in RMB and with fixed interest rate.

Charge of assets

As at 30 June 2022, the Group had no charges on assets.

Foreign exchange

Operations of the Group are mainly conducted in the Major Currencies. The Group did not adopt any hedging policy and the Directors considered that the exposure to foreign exchange risks can be mitigated by using the Major Currencies (i) as principal currencies for contracts entered into between the Group and its customers; and (ii) to settle payments to our suppliers and operating expenses where possible. In the event that settlements from the Group's customers are received in a currency other than the Major Currencies, such currency will be retained for payment of operating expenditures when necessary and the remaining amount will be converted to HK\$ or US\$ promptly.

Capital expenditures and commitments

The Group generally finances its capital expenditures by cash flows generated from its operation, and the net proceeds from the Listing provide an additional source of funding to meet its capital expenditure plan.

As at 30 June 2022, the Group had no major capital commitments.

Contingent liabilities

As at 30 June 2022, the Group had no significant contingent liabilities.

Material acquisition and disposal of subsidiaries, associates and joint ventures

For the six months ended 30 June 2022, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures.

Significant investment held

As at 30 June 2022, the Group had no significant investment.

Use of Proceeds

The Group's net proceeds from the Listing were approximately HK\$202.9 million. As at 30 June 2022, the utilisation of net proceeds raised by the Group from the Listing is as below:

(HK\$ in million)

	Original allocation of net proceeds as stated in the Prospectus	Revised allocation of net proceeds	Unutilised as at 31 December 2021	Utilised during the Reporting Period	Unutilised as at 30 June 2022	Expected timeline for utilisation of the unutilised net proceeds (Note 1)
Funding our capital needs and cash flow under our existing projects in the PRC and Southeast Asia	65.5	21.3	—	—	—	—
Purchasing new vessels and construction Equipment	35.7	24.5	—	—	—	—
Funding the capital needs and cash flow under the Group's port, waterway and marine engineering projects (Note 2)	—	44.2	—	—	—	—
Purchasing new vessels and construction equipment and repair and maintenance of vessels and construction equipment (Note 2)	—	11.2	—	—	—	—
Recruiting talent	13.0	13.0	1.4	1.4	—	—
Strategic equity investment	68.8	68.8	68.8	—	68.8	December 2023 or before
General working capital	19.9	19.9	—	—	—	—
	<u>202.9</u>	<u>202.9</u>	<u>70.2</u>	<u>1.4</u>	<u>68.8</u>	

Notes:

- The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

2. On 17 December 2020, the Board resolved to (i) change the use of the net proceeds for funding capital needs and cash flow under existing projects in the PRC and Southeast Asia which remains unutilised and approved that such amount of approximately HK\$44.2 million shall be reallocated as funding the capital needs and cash flow under the Group's port, waterway and marine engineering projects; and (ii) change the use of net proceeds for purchasing new vessels and construction equipment and approved that the use of such amount of approximately HK\$11.2 million shall be expanded as purchasing new vessels and construction equipment and repair and maintenance of vessels and construction equipment. For details, please refer to the Company's announcement dated 17 December 2020.

During the six months ended 30 June 2022, the proceeds raised by the Company from the Listing were utilised, or were proposed to be utilised, according to the intentions previously disclosed by the Company.

Interim Dividend

The Company has established a dividend policy, pursuant to which the Board reserves the right to declare and distribute dividends to the shareholders of the Company as and when appropriate. In considering whether to declare a dividend, the Board shall also take into account the results of operations, cash flows, financial condition, statutory and regulatory restrictions, future development, business strategies and any other factors that the Board may consider relevant.

Having considered the above factors, in particular, the need to maintain sufficient cash flow for daily operation and expansion, the Board has resolved not to declare any dividend for the six months ended 30 June 2022.

Employees and Remuneration Policies

As at 30 June 2022, the Group had a total of 542 employees. In particular, Third Harbor Maritime had a total of 144 employees, Benteng Indonesia had a total of 68 employees (including 7 Chinese employees who are appointed by Third Harbor Maritime, they have entered into employment contracts with Third Harbor Maritime, and we have purchased the relevant insurance for them in both China and Indonesia). Benteng Brunei had 1 employee (1 Chinese employee who is appointed by Third Harbor Maritime and has entered into employment contracts with Third Harbor Maritime, and we have purchased the relevant insurance for him in China.) Shanghai Watts Environmental Technology Co., Ltd. had 33 employees. Shanghai Municipal Group and its subsidiaries had a total of 296 employees. Our employees have been paid remuneration in accordance with relevant laws and regulations in China, Indonesia and Brunei. The Company pays appropriate salary and bonuses with reference to actual practice. Other related benefits include pensions, medical insurance, unemployment insurance and housing allowances. The staff costs, including Directors' emoluments, of the Group were approximately RMB32.3 million for the Reporting Period (six months ended 30 June 2021: approximately RMB31.5 million).

The remuneration committee of the Company has been established to provide recommendations to the Board on the overall remuneration policy and structure of the Group's Directors and senior management, review the remuneration and ensure that no Directors have determined their own remuneration.

During the Reporting Period, the Group did not experience any strikes, lockouts or major labour disputes affecting operations, or encounter any major difficulties in hiring and retaining qualified employees.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Model Code for Securities Transactions by Directors

The Group has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors have confirmed that they have fully complied with the relevant requirements set out in the Company's own code of conduct and the Model Code during the Reporting Period.

Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted all code provisions in Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code") as its own code of corporate governance. The Company has complied with all applicable code provisions under CG Code during the Reporting Period.

Review of Interim Results by Audit Committee

The Audit Committee has discussed with the management of the Company and reviewed the unaudited consolidated financial statements of the Group for the Reporting Period. There is no disagreement by the Audit Committee with the accounting treatment policy adopted by the Company.

Publication of Interim Results and Interim Report

This interim results announcement is published on the website of HKEXnews at <http://www.hkexnews.hk> and on the website of the Company at <http://www.shbt-china.com>.

The 2022 interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

Definitions

Audit Committee	the audit committee of the Company
Benteng Brunei	Pahaytc & Benteng JV Sdn Bhd, a company incorporated under the laws of Brunei with limited liability in January 2016, which is an operating entity of the Company in Brunei
Benteng Indonesia	PT. Shanghai Third Harbor Benteng Construction and Engineering, a company incorporated under the laws of Indonesia on 16 September 2016 and obtained its legal entity status on 21 September 2016, which is held directly as to 67% by the Group with the remaining 33% controlled by the Company by virtue of a series of contractual arrangements
BN\$ or BND	Brunei Dollars, the lawful currency of Brunei
Board	the board of Directors of the Company
Company	Watts International Maritime Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries from time to time
HK\$ or HK dollars	Hong Kong dollars, the lawful currency of Hong Kong
IDR	the Indonesian Rupiah, the lawful currency of Indonesia
Listing	the Company's shares were listed on the Main Board of the Stock Exchange on 19 November 2018
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
Major Currencies	RMB, HK\$, BN\$, IDR and US\$, the major currencies used by the Group in conducting its business

PRC or China	the People's Republic of China, but for the purpose of this announcement only and, unless the context otherwise requires, excluding Hong Kong Special Administrative Region of the People's Republic of China, Macau Special Administrative Region of the People's Republic of China and Taiwan
Prospectus	the prospectus of the Company on 30 October 2018
Renminbi or RMB	Renminbi, the lawful currency of the PRC
Reporting Period	the six months ended 30 June 2022
SFO	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
Share(s)	ordinary shares of HK\$0.01 each in the share capital of the Company
Shareholder(s)	holder(s) of the Shares
Stock Exchange	The Stock Exchange of Hong Kong Limited
Third Harbor Maritime	Shanghai Third Harbor Benteng Maritime Engineering Co., Ltd.* (上海三航奔騰海洋工程有限公司), established under the laws of the PRC as a limited liability company on 14 August 2017, and a wholly-owned subsidiary of the Company
US\$, USD or US dollars	U.S. dollars, the lawful currency of U.S.

By order of the Board
Watts International Maritime Company Limited
Wang Xiuchun
Chairman and Executive Director

Shanghai, 25 August 2022

As at the date of this announcement, the Board of Directors comprises Mr. Wang Xiuchun, Ms. Wan Yun, Mr. Wang Lijiang and Mr. Wang Likai as executive Directors; Mr. Wang Shizhong as non-executive Director; Mr. Wang Hongwei, Mr. How Sze Ming and Mr. Sun Dajian as independent non-executive Directors.