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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 2023

Financial Summary

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue	1,038,568	1,024,056
Gross profit	70,663	80,972
Profit before income tax	17,687	18,709
Profit for the period	12,002	15,301
Total comprehensive income for the period attributable to the Shareholders of the Company	10,142	15,328
Earnings per share for profit attributable to the Shareholders of the Company (expressed in RMB cents per share):		
— Basic earnings per share	1.47	1.87
— Diluted earnings per share	1.47	1.87
	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Total assets	3,221,235	3,441,318
Total equity	735,025	731,666

Interim results for the six months ended 30 June 2023

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2023, which have been reviewed by the Audit Committee, and approved by the Board on 24 August 2023.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2023

		Six months ended 30 June	
	Notes	2023	2022
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Revenue	3	1,038,568	1,024,056
Cost of sales	3	<u>(967,905)</u>	<u>(943,084)</u>
Gross profit		70,663	80,972
Selling and distribution expenses		(2,430)	(1,747)
Administrative expenses		(37,698)	(52,758)
Net impairment losses on financial assets		(6,289)	(5,286)
Other operating expenses		(183)	(179)
Other income		2,342	2,593
Other gains — net		<u>3,313</u>	<u>5,630</u>
Operating profit		29,718	29,225
Finance income		3,419	2,110
Finance costs		<u>(15,450)</u>	<u>(12,626)</u>
Profit before income tax		17,687	18,709
Income tax expense	4	<u>(5,685)</u>	<u>(3,408)</u>
Profit for the period		<u>12,002</u>	<u>15,301</u>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		(1,513)	509
Changes in the fair value of equity instruments at fair value through other comprehensive income, net of tax		<u>(347)</u>	<u>(482)</u>
Other comprehensive income for the period, net of tax		<u>(1,860)</u>	<u>27</u>
Total comprehensive income for the period attributable to the Shareholders of the Company		<u>10,142</u>	<u>15,328</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>1.47</u>	<u>1.87</u>
— Diluted earnings per share	5	<u>1.47</u>	<u>1.87</u>

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2023

	<i>Notes</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		70,676	77,081
Right-of-use assets		12,518	12,464
Intangible assets		59	147
Contract assets	3	550,150	535,359
Trade and other receivables	6	112,680	129,422
Deferred tax assets		22,905	21,696
Financial assets at fair value through other comprehensive income		14,927	15,287
		783,915	791,456
Current assets			
Inventories		41,154	11,993
Contract assets	3	607,125	530,401
Trade and other receivables	6	1,255,510	1,399,712
Financial assets at fair value through profit or loss		—	1,300
Time deposits		1,815	—
Restricted cash		142,548	166,281
Cash and cash equivalents		389,168	540,175
		2,437,320	2,649,862
Total assets		3,221,235	3,441,318

	<i>Notes</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
EQUITY			
Capital and reserves			
Share capital		7,303	7,303
Share premium		273,309	280,092
Other reserves		29,827	30,385
Shares held for employee share scheme		(4,756)	(4,756)
Retained earnings		429,342	418,642
		<hr/>	<hr/>
Total equity		735,025	731,666
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Borrowings		12,000	14,500
Lease liabilities		3,517	3,003
Trade and other payables	7	211,043	215,180
Deferred tax liabilities		1,283	1,266
		<hr/>	<hr/>
		227,843	233,949
		<hr/>	<hr/>
Current liabilities			
Lease liabilities		2,158	1,498
Borrowings		204,261	231,411
Trade and other payables	7	1,897,574	2,078,719
Income tax payables		18,809	25,746
Contract liabilities	3	135,565	138,329
		<hr/>	<hr/>
		2,258,367	2,475,703
		<hr/>	<hr/>
Total liabilities		2,486,210	2,709,652
		<hr/>	<hr/>
Total equity and liabilities		3,221,235	3,441,318
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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2023

1 GENERAL INFORMATION

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 and 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 24 August 2023.

The condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial statements for the half-year reporting period ended 30 June 2023 have been prepared in accordance with Accounting Standard HKAS 34 “Interim Financial Reporting”.

The condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial statements. Accordingly, these statements are to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022 and any public announcements made by the Company during the interim reporting period.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

(i) New and amended standards adopted by the Group

A number of new or amended standards and interpretations 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
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023

(ii) 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 2023 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 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies Amendments to HKAS 1
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. Segment assets are allocated based on the operations of the segment and the physical location of the asset. Segment liabilities are allocated based on the operations of the segment.

(b) Segment results and other information

The segment information for the six months ended 30 June 2023 is as follows:

	Six months ended 30 June 2023 (Unaudited)		
	Marine construction RMB'000	Municipal public construction RMB'000	Total RMB'000
Revenue	266,798	771,770	1,038,568
Cost of sales	(234,710)	(733,195)	(967,905)
Gross profit	32,088	38,575	70,663
Unallocated items:			
Operating expenses			(46,600)
Other income			2,342
Other gains — net			3,313
Finance costs — net			(12,031)
Profit before income tax			17,687
Income tax expense (<i>Note 4</i>)			(5,685)
Profit for the period			12,002
Segment items included:			
Depreciation and amortisation	(5,163)	(3,483)	(8,646)
Net impairment losses on financial assets	(5,063)	(1,226)	(6,289)

The segment assets and liabilities as at 30 June 2023 are as follows:

	As at 30 June 2023 (Unaudited)			
	Marine construction RMB'000	Municipal public construction RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Total assets	1,379,129	1,946,202	(104,096)	3,221,235
Total liabilities	938,457	1,651,849	(104,096)	2,486,210

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 losses — 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 31 December 2022 are as follows:

	As at 31 December 2022 (Audited)			Total <i>RMB'000</i>
	Marine construction <i>RMB'000</i>	Municipal public construction <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	
Total assets	<u>1,483,678</u>	<u>2,061,164</u>	<u>(103,524)</u>	<u>3,441,318</u>
Total liabilities	<u>1,031,885</u>	<u>1,781,291</u>	<u>(103,524)</u>	<u>2,709,652</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)					
	2023			2022		
	Marine construction	Municipal public construction	Total	Marine construction	Municipal public construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China						
Revenue	233,825	771,770	1,005,595	152,184	783,744	935,928
Cost of sales	(203,076)	(733,195)	(936,271)	(147,457)	(713,107)	(860,564)
	<u>30,749</u>	<u>38,575</u>	<u>69,324</u>	<u>4,727</u>	<u>70,637</u>	<u>75,364</u>
Southeast Asia						
Revenue	32,973	—	32,973	88,128	—	88,128
Cost of sales	(31,634)	—	(31,634)	(82,520)	—	(82,520)
	<u>1,339</u>	<u>—</u>	<u>1,339</u>	<u>5,608</u>	<u>—</u>	<u>5,608</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 2023	31 December 2022
	Unaudited	Audited
	RMB'000	RMB'000
Mainland China	74,497	78,677
Southeast Asia	<u>8,756</u>	<u>11,015</u>
Total	<u>83,253</u>	<u>89,692</u>

(e) **Contract assets and liabilities**

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

	As at	
	30 June 2023	31 December 2022
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets		
Current portion		
Marine construction	327,826	338,248
Municipal public construction	301,902	210,617
Less: allowance for impairment of contract assets	<u>(22,603)</u>	<u>(18,464)</u>
	<u>607,125</u>	<u>530,401</u>
Non-current portion		
Marine construction	36,950	17,882
Municipal public construction	531,902	534,402
Less: allowance for impairment of contract assets	<u>(18,702)</u>	<u>(16,925)</u>
	<u>550,150</u>	<u>535,359</u>
Total contract assets	<u><u>1,157,275</u></u>	<u><u>1,065,760</u></u>
Contract liabilities		
Marine construction	31,984	11,279
Municipal public construction	<u>103,581</u>	<u>127,050</u>
Total contract liabilities	<u><u>135,565</u></u>	<u><u>138,329</u></u>

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	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	6,864	7,256
Deferred income tax	(1,179)	(3,848)
	<hr/>	<hr/>
Income tax expense — net	<u>5,685</u>	<u>3,408</u>

(a) Cayman Islands profits 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 2023 and 2022.

(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% (2022: 25%) on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations, except for the companies as disclosed below.

Third Harbor Maritime, a subsidiary of the Group, obtained new and high-technology enterprise recognition in October 2019 and renewed in October 2022 and is entitled to a preferential income tax rate of 15%. Watts Environmental, a subsidiary of the Group was recognised as a new and high-technology enterprise in November 2022 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 2023 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 2023, income tax was provided at the rate of 2.65% on the revenue from construction services (2022: 2.65%) and income tax of 20% was provided on the interest income from bank deposits, according to respective Indonesia income tax laws and regulations.

(g) Malaysia income tax

One of the Company's subsidiaries incorporated in Malaysia is subject to Malaysia income tax. The applicable Malaysia income tax rate is 24% for the six months ended 30 June 2023.

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 2023 and 2022 attributable to the Shareholders of the Company and the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Profit attributable to the Shareholders of the Company (<i>RMB'000</i>)	12,002	15,301
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>1.47</u>	<u>1.87</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 2023 and 2022.

6 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB'000	RMB'000
Trade receivables (i)	932,017	1,067,737
Less: allowance for impairment of trade receivables	<u>(76,601)</u>	<u>(77,137)</u>
Trade receivables — net	<u>855,416</u>	<u>990,600</u>
Retention receivables (ii)	256,431	283,049
Less: allowance for impairment of retention receivables	<u>(55,309)</u>	<u>(53,955)</u>
Retention receivables — net	<u>201,122</u>	<u>229,094</u>
Bills receivables (i)	74,276	75,113
Long-term trade receivables (iii, iv)	46,959	47,156
Less: allowance for impairment of long-term trade receivables	<u>(3,314)</u>	<u>(3,099)</u>
Long-term trade receivables-net	<u>43,645</u>	<u>44,057</u>
Other receivables	63,054	69,339
Prepayments	128,260	118,066
Prepaid taxation	<u>2,417</u>	<u>2,865</u>
	<u>1,368,190</u>	<u>1,529,134</u>
Less: non-current portion		
Retention receivables (ii)	(59,864)	(76,213)
Long-term trade receivables (iii, iv)	(39,975)	(40,463)
Other receivables	<u>(12,841)</u>	<u>(12,746)</u>
	<u>(112,680)</u>	<u>(129,422)</u>
Current portion	<u><u>1,255,510</u></u>	<u><u>1,399,712</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 receivables 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.

As at 30 June 2023, bills receivables with a total net book amount of RMB10,300,000 and trade receivables with a total net book amount of RMB6,001,000 were pledged as collateral for the Group's bank borrowings (As at 31 December 2022: RMB21,560,000 and RMB6,001,000).

As at 30 June 2023 and 31 December 2022, 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 2023	31 December 2022
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	334,221	492,062
4 to 6 months	102,981	90,755
7 to 12 months	162,576	174,779
1 to 2 years	211,521	186,897
2 to 3 years	80,067	76,561
Over 3 years	114,927	121,796
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	1,006,293	1,142,850
	<hr/> <hr/>	<hr/> <hr/>

- (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 2023	31 December 2022
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	117,068	132,312
1 to 2 years	47,935	49,061
2 to 3 years	17,522	22,523
3 to 4 years	33,083	35,502
4 to 5 years	212	1,498
Over 5 years	40,611	42,153
	256,431	283,049

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 relating to a public-private-partnership performed by the private investor 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 2023, the Group pledged long-term trade receivables with carrying amount of approximately RMB43,645,000 (As at 31 December 2022: RMB44,057,000) for the long-term bank borrowings amounted to RMB17,000,000 (As at 31 December 2022: RMB19,500,000).

7 TRADE AND OTHER PAYABLES

	As at	
	30 June 2023	31 December 2022
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (<i>i</i>)	1,468,686	1,469,417
Bills payables (<i>i</i>)	9,000	13,000
Retention payables (<i>ii</i>)	79,554	204,054
Long-term payables (<i>iii</i>)	274,451	292,705
Payroll and social security	12,009	18,589
Other payables	136,229	142,200
Dividends payable	7,183	400
Other tax liabilities excluding income tax liabilities	121,505	153,534
	<u>2,108,617</u>	<u>2,293,899</u>
Less: non-current portion		
Retention payables (<i>ii</i>)	(85,543)	(95,570)
Long-term payables (<i>iii</i>)	(110,903)	(95,640)
Other payables	(14,597)	(23,970)
	<u>(211,043)</u>	<u>(215,180)</u>
Current portion	<u><u>1,897,574</u></u>	<u><u>2,078,719</u></u>

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

As at 30 June 2023 and 31 December 2022, the ageing analysis of the trade and bills payables based on the payment requests or demand notes is as follows:

	As at	
	30 June 2023	31 December 2022
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	462,012	521,671
4 to 6 months	146,078	144,103
7 to 12 months	188,280	195,718
1 to 2 years	270,523	248,526
2 to 3 years	86,618	85,893
Over 3 years	324,175	286,506
	<u>1,477,686</u>	<u>1,482,417</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 2023	31 December 2022
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	13,336	53,002
1 to 5 years	26,301	104,758
Over 5 years	39,917	46,294
	<u>79,554</u>	<u>204,054</u>

(iii) 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 3.85% 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 2023	31 December 2022
	Unaudited	Audited
	RMB'000	RMB'000
Within 1 year	56,189	97,252
1 to 5 years	169,172	130,085
Over 5 years	49,090	65,368
	274,451	292,705

8 DIVIDENDS

At a meeting held on 28 March 2023, the Board proposed a final dividend of HK\$0.92 cent (equivalent to RMB0.82 cent) per share for the year ended 31 December 2022. This proposed dividend, representing total amount of approximately HK\$7,594,000 (equivalent to RMB6,783,000), was reflected as an appropriation of share premium for the six months ended 30 June 2023 upon approval by the Shareholders at the annual general meeting of the Company held on 15 June 2023. This final dividend has been paid in August 2023.

9 COMMITMENTS

(a) Capital commitments

As at 30 June 2023 and 31 December 2022, 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 2023	31 December 2022
	Unaudited	Audited
	RMB'000	RMB'000
No later than 1 year	<u><u>651</u></u>	<u><u>862</u></u>

As lessor

As at 30 June 2023 and 31 December 2022, the Group had no future minimum lease receivables under the non-cancellable operating leases.

10 EVENT AFTER THE REPORTING PERIOD

There were no other material subsequent events undertaken by the Company or by the Group after 30 June 2023.

Management Discussion and Analysis

The Company is a leading port, waterway, marine 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 2023, despite the adverse impact of shrinking market demand and increasing competition pressure, the Group adhered to the general principle of seeking progress while ensuring stability and continued to improve risk management and internal control so as to achieve steady progress in core business income.

The following table sets forth a breakdown of the Group's revenue by segment for the six months ended 30 June 2023:

	Revenue recognised during the Reporting Period (Unaudited) (RMB million)
Marine construction (including infrastructure construction of ports, waterway engineering and other services)	266.8
Municipal public construction (including construction of public infrastructure within cities, urban greening and construction of buildings)	771.8
Total	<u>1,038.6</u>

Future Plans and Prospects

Along with the slow recovery of the world economy, the infrastructure construction market is expected to rise. The Group will be committed to the marine and municipal public construction market, and will explore new areas of environmental technology business where appropriate, optimise project cost and expense control and enhance business profit margins, with a view to improving returns to Shareholders.

In terms of the domestic market in China, the national economic growth remains on a positive trajectory over the long run, and the basket of national policies to stabilise growth has continued to gain momentum. Supported by the policy of accelerating the implementation of the major projects under the “14th Five-Year Plan”, strengthening the construction of transportation, energy, water conservancy and other infrastructure, and strengthening the interconnection of regional infrastructure, there are still opportunities in the field of infrastructure construction. The Group will continue to pay attention to new opportunities in the market development of ports, terminals and municipal public engineering projects, build core technologies and core teams around core businesses, enhance its market participation, increase continuous investment in environmental technology business, and steadily explore new market areas.

In terms of the international market, the global market and economic environment remain complex and severe. However, there is a large market potential in the field of infrastructure construction as a result of the continuously increasing demand for infrastructure construction in overseas developing countries. The Group will continue to deepen its presence in the Southeast Asian market, give full play to its pioneer advantages, further expand its market share in the Southeast Asian infrastructure market while controlling risks and participate in the construction of the “Belt and Road” initiative with high quality.

Financial Overview

Revenue

The Group’s consolidated revenue in the first half of 2023 was RMB1,038.6 million, representing a year-on-year increase of approximately 1.4% from RMB1,024.0 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 RMB266.8 million and RMB771.8 million, respectively. Revenues from the PRC and Southeast Asia in the first half of 2023 were RMB1,005.6 million and RMB33.0 million, respectively. The increase in revenue in the first half of 2023 was mainly attributable to the fact 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 2023 was RMB967.9 million, representing an increase of 2.6% from RMB943.1 million in the first half of 2022. The costs of marine construction segment and municipal public construction segment in the first half of 2023 were RMB234.7 million and RMB733.2 million, respectively. In the first half of 2023, costs incurred in the PRC and Southeast Asia were RMB936.3 million and RMB31.6 million, respectively.

Cost of sales mainly consists of the cost of used raw materials and consumables and subcontracting costs. In the first half of 2023, cost of used raw materials and consumables and subcontracting costs were RMB480.3 million and RMB413.0 million, representing a decrease of 8.4% and an increase of 20.3% from the first half of 2022, respectively. The Group's profit from main operations largely depends on the location and composition of the project. In the first half of 2023, the Group's consolidated profit from main operations was RMB70.7 million, a decrease of 12.6% from RMB80.9 million in the first half of 2022. The gross profits from the marine construction segment and municipal public construction segment in the first half of 2023 were RMB32.1 million and RMB38.6 million, respectively. The gross profits from the PRC and Southeast Asia were RMB69.3 million and RMB1.4 million, respectively.

Operating profit in the first half of 2023 was RMB29.7 million, representing an increase of 1.7% from RMB29.2 million in the first half of 2022, mainly due to the reduced management fees as a result of the Group's efforts on cost control.

Administrative expenses

The administrative expenses in the first half of 2023 were RMB37.7 million, representing a decrease of 28.6% compared to RMB52.8 million in the first half of 2022, mainly due to the decrease in administrative expenses as a result of the decrease in research and development expenditure and enhanced cost control.

Income tax expense

The Group's income tax expense in the first half of 2023 was RMB5.7 million, representing an increase of 67.6% compared to RMB3.4 million in the first half of 2022, mainly due to the decrease in research and development expenses during the period, resulting in a decrease in the income tax deduction for research and development expenses as compared with the corresponding period of last year, and thus an increase in income tax expenses.

Trade and other receivables

The Group's net trade and other receivables decreased to RMB1,368.2 million as at 30 June 2023 (as at 31 December 2022: RMB1,529.1 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 2023 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 increased by RMB91.5 million to RMB1,157.3 million as at 30 June 2023 from RMB1,065.8 million as at 31 December 2022.

Trade and other payables

The Group's trade and other payables decreased to RMB2,108.6 million as at 30 June 2023 (as at 31 December 2022: RMB2,293.9 million), mainly due to the impact of 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 RMB179.0 million (as at 31 December 2022: RMB174.2 million) and RMB389.2 million (as at 31 December 2022: RMB540.2 million), respectively as at 30 June 2023.

As at 30 June 2023, The Group's restricted cash was approximately RMB142.5 million (as at 31 December 2022: RMB166.3 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 2023 was 77.2% (as at 31 December 2022: 78.7%). The Group's bank borrowings as at 30 June 2023 were RMB214.0 million (as at 31 December 2022: RMB233.9 million) which are denominated in RMB and with fixed interest rate.

Charges on assets

As at 30 June 2023, the Group pledged long-term trade receivables with carrying amount of approximately RMB43.6 million (as at 31 December 2022: RMB44.1 million) for the long-term bank borrowings amounted to RMB17.0 million (as at 31 December 2022: RMB19.5 million).

As at 30 June 2023, bills receivables with a total net book amount of RMB10.3 million (as at 31 December 2022: RMB21.6 million) and trade receivables with a total net book amount of RMB6.0 million (as at 31 December 2022: RMB6.0 million) were pledged as collateral for the Group's bank borrowings amounted to RMB16.3 million (as at 31 December 2022: RMB27.6 million).

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 by and between the Group and its customers; (ii) to settle payments to our suppliers and operating expenses where possible; and (iii) certain amounts of cash and bank balances are denominated in US\$. In the event that settlements from the Group's customer 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 2023, the Group had no major capital commitments.

Contingent liabilities

As at 30 June 2023, there are two outstanding claims against Watts Gallop Construction. According to the legal advisers for the claims, potential liability, legal fees and costs, and interest are not expected to be significant. As such, these legal proceedings individually or in aggregate would not have material financial or operational adverse impact on the condensed consolidated interim financial statements.

Material acquisition and disposal of subsidiaries, associates and joint ventures

For the six months ended 30 June 2023, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures.

Significant investment held

As at 30 June 2023, the Group had no significant investment or future plans for significant investments or capital assets.

Use of Proceeds

The Group's net proceeds from the Listing were approximately HK\$202.9 million. As at 30 June 2023, the utilisation of net proceeds raised by the Group from the Listing is as below:

(HK\$ million)

	Original allocation of net proceeds as stated in the Prospectus	First Revised allocation of net proceeds	Second Revised allocation of net proceeds	Unutilised as at 31 December 2022	Utilised during the Reporting Period	Unutilised as at 30 June 2023	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	21.3	—	—	—	—
Purchasing new vessels and construction Equipment	35.7	24.5	24.5	—	—	—	—
Funding the capital needs and cash flow under the Group's port, waterway and marine engineering projects (Note 2 & 3)	—	44.2	113.0 (note 3)	—	—	68.8	June 2024 or before
Purchasing new vessels and construction equipment and repair and maintenance of vessels and construction equipment (Note 2)	—	11.2	11.2	—	—	—	—
Recruiting talent	13.0	13.0	13.0	—	—	—	—
Strategic equity investment	68.8	68.8	— (note 3)	68.8	—	—	—
General working capital	19.9	19.9	19.9	—	—	—	—
	<u>202.9</u>	<u>202.9</u>	<u>202.9</u>	<u>68.8</u>	<u>—</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.
3. On 15 June 2023, the Board resolved to change the use of the proceeds for strategic equity investment which remains unutilised and approved that such amount of approximately HK\$68.8 million shall be reallocated as funding the capital needs and cash flow under the Group's port, waterway and marine engineering projects. For details, please refer to the Company's announcement dated 15 June 2023.

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 2023 (six months ended 30 June 2022: nil).

Employees and remuneration policies

As at 30 June 2023, the Group had a total of 484 employees. In particular, Third Harbor Maritime had 114 employees, Benteng Indonesia had 38 employees (including 13 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.), Watts Environmental had 39 employees, Shanghai Municipal Group and its subsidiaries had 292 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 RMB31.3 million for the Reporting Period (six months ended 30 June 2022: approximately RMB32.3 million).

The Remuneration Committee 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.

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 (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under CG Code during the Reporting Period.

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.

Review of Interim Results by Audit Committee

The Audit Committee has discussed with the management of the Company and reviewed the unaudited condensed consolidated interim 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 2023 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
Remuneration Committee	the remuneration committee of the Company
Renminbi or RMB	Renminbi, the lawful currency of the PRC
Reporting Period	the six months ended 30 June 2023
SFO	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
Shanghai Municipal	Shanghai Watts Benteng Municipal Public Engineering Co., Ltd.* (上海華滋奔騰市政工程有限公司), a company established in the PRC and acquired by the Company on 24 December 2019
Shanghai Municipal Group	Shanghai Municipal and its subsidiaries
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.
Watts Environmental	Shanghai Watts Environmental Technology Co., Ltd. (上海華滋環境科技有限公司), a limited liability company established under the laws of the PRC on 8 July, 2020 and a wholly-owned subsidiary of Third Harbor Maritime
Watts Gallop Construction	Watts Gallop Construction Engineering Group Co., Ltd. (華滋奔騰建工集團有限公司), a limited liability company established under the laws of the PRC as on 10 December 1999, a wholly-owned subsidiary of Shanghai Municipal

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

Shanghai, 24 August 2023

As at the date of this announcement, the Board 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.