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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 2024**

**Financial Summary**

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	<b>715,208</b>	1,038,568
Gross profit	<b>44,334</b>	70,663
(Loss)/Profit before income tax	<b>(99,163)</b>	17,687
(Loss)/Profit for the period	<b>(123,868)</b>	12,002
Total comprehensive (loss)/income for the period attributable to the Shareholders of the Company	<b>(106,011)</b>	10,142
(Loss)/Earnings per Share for profit attributable to the Shareholders of the Company (expressed in RMB cents per Share):		
— Basic and diluted (loss)/earnings per Share	<b>(15.12)</b>	1.47
	<b>30 June</b>	<b>31 December</b>
	<b>2024</b>	<b>2023</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Total assets	<b>2,989,175</b>	3,239,021
Total equity	<b>638,456</b>	752,097

## **Interim results for the six months ended 30 June 2024**

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2024, which have been reviewed by the Audit Committee, and approved by the Board on 27 August 2024.

## Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>Revenue</b>	3	<b>715,208</b>	1,038,568
Cost of sales	3	<u>(670,874)</u>	<u>(967,905)</u>
<b>Gross profit</b>		<b>44,334</b>	70,663
Selling and distribution expenses		(2,666)	(2,430)
Administrative expenses		(43,327)	(37,698)
Net impairment losses on financial assets and contract assets		(93,043)	(6,289)
Other operating expenses		(162)	(183)
Other income		288	2,342
Other gains — net		<u>4,787</u>	<u>3,313</u>
<b>Operating (loss)/profit</b>		<b>(89,789)</b>	29,718
Finance income		1,710	3,419
Finance costs		<u>(11,084)</u>	<u>(15,450)</u>
<b>(Loss)/Profit before income tax</b>		<b>(99,163)</b>	17,687
Income tax expense	4	<u>(24,705)</u>	<u>(5,685)</u>
<b>(Loss)/Profit for the period</b>		<b><u>(123,868)</u></b>	<b><u>12,002</u></b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss			
Currency translation differences		(3,428)	(1,513)
Changes in the fair value of equity instruments at fair value through other comprehensive income, net of tax		<u>21,285</u>	<u>(347)</u>
<b>Other comprehensive income for the period, net of tax</b>		<b><u>17,857</u></b>	<b><u>(1,860)</u></b>
<b>Total comprehensive (loss)/income for the period attributable to the Shareholders of the Company</b>		<b><u>(106,011)</u></b>	<b><u>10,142</u></b>
<b>(Loss)/Earnings per share for (loss)/profit attributable to the Shareholders of the Company (expressed in RMB cents per share):</b>			
— Basic and diluted (loss)/earnings per share	5	<b><u>(15.12)</u></b>	<b><u>1.47</u></b>

## Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2024

	<i>Notes</i>	<b>30 June 2024 (Unaudited) RMB'000</b>	31 December 2023 (Audited) RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>62,882</b>	68,492
Investment properties		<b>11,350</b>	16,735
Right-of-use assets		<b>10,840</b>	11,910
Intangible assets		<b>38</b>	70
Contract assets	3	<b>339,582</b>	359,433
Trade and other receivables	6	<b>128,673</b>	115,643
Deferred tax assets		<b>4,615</b>	25,832
Financial assets at fair value through other comprehensive income		<b>4,098</b>	16,654
		<b>562,078</b>	614,769
<b>Current assets</b>			
Inventories		<b>12,925</b>	11,082
Contract assets	3	<b>471,859</b>	509,667
Trade and other receivables	6	<b>1,534,649</b>	1,684,898
Time deposits		<b>—</b>	1,831
Restricted cash		<b>136,212</b>	161,020
Cash and cash equivalents		<b>271,452</b>	255,754
		<b>2,427,097</b>	2,624,252
<b>Total assets</b>		<b><u>2,989,175</u></b>	<b><u>3,239,021</u></b>

	<i>Notes</i>	<b>30 June 2024 (Unaudited) RMB'000</b>	31 December 2023 (Audited) RMB'000
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		7,303	7,303
Share premium		265,444	273,074
Other reserves		18,975	31,054
Shares held for employee share scheme		(4,756)	(4,756)
Retained earnings		351,490	445,422
<b>Total equity</b>		<b>638,456</b>	<b>752,097</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		7,000	9,500
Lease liabilities		70	366
Trade and other payables	7	181,875	197,242
Deferred tax liabilities		—	1,381
		<b>188,945</b>	<b>208,489</b>
<b>Current liabilities</b>			
Lease liabilities		2,560	3,541
Borrowings		306,661	193,669
Trade and other payables	7	1,772,774	2,019,633
Income tax payables		20,782	19,047
Contract liabilities	3	58,997	42,545
		<b>2,161,774</b>	<b>2,278,435</b>
<b>Total liabilities</b>		<b>2,350,719</b>	<b>2,486,924</b>
<b>Total equity and liabilities</b>		<b>2,989,175</b>	<b>3,239,021</b>

# Notes to the Condensed Consolidated Interim Financial Statements

*For the six months ended 30 June 2024*

## 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 27 August 2024.

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 2024 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 2023 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 2023, 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.

		<b>Effective for annual periods beginning on or after</b>
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
HK Int 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024

**(ii) New and amended standards and interpretations not yet adopted**

In September 2023, HKICPA amended HKAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. These amendments are not expected to have a material impact on its operations or financial statements.

**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 2024 is as follows:

	<b>Six months ended 30 June 2024 (Unaudited)</b>		
	<b>Marine construction RMB'000</b>	<b>Municipal public construction RMB'000</b>	<b>Total RMB'000</b>
Revenue	<b>300,050</b>	<b>415,158</b>	<b>715,208</b>
Cost of sales	<b>(272,740)</b>	<b>(398,134)</b>	<b>(670,874)</b>
Gross profit	<b>27,310</b>	<b>17,024</b>	<b>44,334</b>
Unallocated items:			
Operating expenses			<b>(139,198)</b>
Other income			<b>288</b>
Other gains — net			<b>4,787</b>
Finance costs — net			<b>(9,374)</b>
Loss before income tax			<b>(99,163)</b>
Income tax expense ( <i>Note 4</i> )			<b>(24,705)</b>
Loss for the period			<b>(123,868)</b>
Segment items included:			
Depreciation and amortisation	<b>(4,811)</b>	<b>(3,583)</b>	<b>(8,394)</b>
Net impairment losses on financial assets and contract assets	<b>5,584</b>	<b>(98,627)</b>	<b>(93,043)</b>

The segment assets and liabilities as at 30 June 2024 are as follows:

	<b>As at 30 June 2024 (Unaudited)</b>			
	<b>Marine construction RMB'000</b>	<b>Municipal public construction RMB'000</b>	<b>Inter-segment elimination RMB'000</b>	<b>Total RMB'000</b>
Total assets	<b>1,308,688</b>	<b>1,783,016</b>	<b>(102,529)</b>	<b>2,989,175</b>
Total liabilities	<b>839,132</b>	<b>1,614,116</b>	<b>(102,529)</b>	<b>2,350,719</b>

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

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

The segment assets and liabilities as at 31 December 2023 are as follows:

	As at 31 December 2023 (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>1,381,828</u>	<u>1,960,578</u>	<u>(103,385)</u>	<u>3,239,021</u>
Total liabilities	<u>929,199</u>	<u>1,661,110</u>	<u>(103,385)</u>	<u>2,486,924</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)					
	2024			2023		
	Marine construction <i>RMB'000</i>	Municipal public construction <i>RMB'000</i>	Total <i>RMB'000</i>	Marine construction <i>RMB'000</i>	Municipal public construction <i>RMB'000</i>	Total <i>RMB'000</i>
<b>PRC</b>						
Revenue	147,017	415,158	562,175	233,825	771,770	1,005,595
Cost of sales	(130,562)	(398,134)	(528,696)	(203,076)	(733,195)	(936,271)
	<u>16,455</u>	<u>17,024</u>	<u>33,479</u>	<u>30,749</u>	<u>38,575</u>	<u>69,324</u>
<b>Southeast Asia</b>						
Revenue	153,033	—	153,033	32,973	—	32,973
Cost of sales	(142,178)	—	(142,178)	(31,634)	—	(31,634)
	<u>10,855</u>	<u>—</u>	<u>10,855</u>	<u>1,339</u>	<u>—</u>	<u>1,339</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 2024 Unaudited <i>RMB'000</i>	31 December 2023 Audited <i>RMB'000</i>
PRC	80,230	90,331
Southeast Asia	<u>4,880</u>	<u>6,876</u>
Total	<u>85,110</u>	<u>97,207</u>

(e) **Contract assets and liabilities**

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

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>Unaudited</b>	Audited
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Contract assets</b>		
Current portion		
Marine construction	<b>145,302</b>	149,856
Municipal public construction	<b>357,185</b>	381,275
Less: allowance for impairment of contract assets	<u><b>(30,628)</b></u>	<u>(21,464)</u>
	<u><b>471,859</b></u>	<u>509,667</u>
Non-current portion		
Marine construction	<b>17,351</b>	49,282
Municipal public construction	<b>342,776</b>	322,385
Less: allowance for impairment of contract assets	<u><b>(20,545)</b></u>	<u>(12,234)</u>
	<u><b>339,582</b></u>	<u>359,433</u>
<b>Total contract assets</b>	<u><b>811,441</b></u>	<u>869,100</u>
<b>Contract liabilities</b>		
Marine construction	<b>7,500</b>	2,250
Municipal public construction	<u><b>51,497</b></u>	<u>40,295</u>
<b>Total contract liabilities</b>	<u><b>58,997</b></u>	<u>42,545</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	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	3,463	6,864
Deferred income tax	21,242	(1,179)
	<u>24,705</u>	<u>5,685</u>
Income tax expense — net	<u>24,705</u>	<u>5,685</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 2024 and 2023.

### (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% (2023: 25%) on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations, except for the companies as disclosed below.

Shanghai Third Harbor Benteng Maritime Engineering Co., Ltd. (“**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%. Shanghai Watts Environmental Technology Co., Ltd. (“**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 2024 and 2023.

**(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 2024, income tax was provided at the rate of 2.65%–4% on the revenue from construction services (2023: 2.65%–4%) 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 2024 and 2023.

## 5 BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit for the six months ended 30 June 2024 and 2023 attributable to the Shareholders of the Company and the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
(Loss)/Profit attributable to the Shareholders of the Company ( <i>RMB'000</i> )	(123,868)	12,002
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	819,008	819,008
Total basic (loss)/earnings per share attributable to the ordinary equity holders of the Group ( <i>RMB cents</i> )	<u>(15.12)</u>	<u>1.47</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 2024 and 2023.

## 6 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2024	31 December 2023
	Unaudited RMB'000	Audited RMB'000
Trade receivables (i)	1,205,040	1,302,077
Less: allowance for impairment of trade receivables	<u>(159,923)</u>	<u>(92,666)</u>
Trade receivables — net	<u>1,045,117</u>	<u>1,209,411</u>
Retention receivables (ii)	317,289	322,635
Less: allowance for impairment of retention receivables	<u>(67,441)</u>	<u>(61,436)</u>
Retention receivables — net	<u>249,848</u>	<u>261,199</u>
Bills receivables (i)	74,803	92,686
Long-term trade receivables (iii, iv)	44,390	43,235
Less: allowance for impairment of long-term trade receivables	<u>(4,249)</u>	<u>(2,592)</u>
Long-term trade receivables-net	<u>40,141</u>	<u>40,643</u>
Other receivables	135,356	75,036
Prepayments	116,396	119,868
Prepaid taxation	<u>1,661</u>	<u>1,698</u>
	<u>1,663,322</u>	<u>1,800,541</u>
<b>Less: non-current portion</b>		
Retention receivables (ii)	(73,403)	(69,954)
Long-term trade receivables (iii, iv)	(36,390)	(36,810)
Other receivables	<u>(18,880)</u>	<u>(8,879)</u>
	<u>(128,673)</u>	<u>(115,643)</u>
<b>Current portion</b>	<u><u>1,534,649</u></u>	<u><u>1,684,898</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 2024, bills receivables with a total net book amount of RMB41,671,000 were pledged as collateral for the Group's bank borrowings (2023: RMB31,669,000).

As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade and bills receivables based on the payment requests acknowledged by the customers is as follows:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>Unaudited</b>	Audited
	<b>RMB'000</b>	RMB'000
Within 3 months	<b>352,412</b>	548,739
4 to 6 months	<b>177,196</b>	72,456
7 to 12 months	<b>317,570</b>	374,768
1 to 2 years	<b>185,962</b>	167,238
2 to 3 years	<b>144,238</b>	80,453
Over 3 years	<b>102,465</b>	151,109
	<b><u>1,279,843</u></b>	<u>1,394,763</u>

- (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:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>Unaudited</b>	Audited
	<b>RMB'000</b>	<b>RMB'000</b>
Within 1 year	<b>208,369</b>	117,668
1 to 2 years	<b>14,113</b>	17,534
2 to 3 years	<b>42,255</b>	72,019
3 to 4 years	<b>11,679</b>	40,035
4 to 5 years	<b>26,167</b>	51,560
Over 5 years	<b>14,706</b>	23,819
	<b><u>317,289</u></b>	<b><u>322,635</u></b>

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 2024, the Group pledged long-term trade receivables with carrying amount of approximately RMB40,141,000 (As at 31 December 2023: RMB40,643,000) for the long-term bank borrowings amounted to RMB14,500,000 (As at 31 December 2023: RMB14,500,000).

## 7 TRADE AND OTHER PAYABLES

	As at	
	30 June 2024	31 December 2023
	Unaudited RMB'000	Audited RMB'000
Trade payables ( <i>i</i> )	1,302,819	1,525,923
Bills payables ( <i>i</i> )	31,000	20,000
Retention payables ( <i>ii</i> )	118,877	175,416
Long-term payables ( <i>iii</i> )	217,642	202,396
Payroll and social security	23,127	20,709
Other payables	135,164	123,870
Dividends payable	7,684	—
Other tax liabilities excluding income tax liabilities	118,336	148,561
	<u>1,954,649</u>	<u>2,216,875</u>
<b>Less: non-current portion</b>		
Retention payables ( <i>ii</i> )	(81,971)	(117,656)
Long-term payables ( <i>iii</i> )	(78,957)	(59,639)
Other payables	(20,947)	(19,947)
	<u>(181,875)</u>	<u>(197,242)</u>
<b>Current portion</b>	<u><u>1,772,774</u></u>	<u><u>2,019,633</u></u>

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

As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade and bills payables based on the payment requests or demand notes is as follows:

	As at	
	30 June 2024	31 December 2023
	Unaudited <i>RMB'000</i>	Audited <i>RMB'000</i>
Within 3 months	308,367	299,432
4 to 6 months	169,410	258,707
7 to 12 months	190,940	259,133
1 to 2 years	289,679	313,762
2 to 3 years	196,493	137,678
Over 3 years	178,930	277,211
	<u>1,333,819</u>	<u>1,545,923</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 2024	31 December 2023
	Unaudited <i>RMB'000</i>	Audited <i>RMB'000</i>
Within 1 year	15,698	26,977
1 to 5 years	94,811	131,611
Over 5 years	8,368	16,828
	<u>118,877</u>	<u>175,416</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 3.45% 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:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>Unaudited</b>	Audited
	<b>RMB'000</b>	RMB'000
Within 1 year	<b>17,920</b>	41,184
1 to 5 years	<b>177,582</b>	137,831
Over 5 years	<b>22,140</b>	23,381
	<hr/> <b>217,642</b> <hr/>	<hr/> 202,396 <hr/>

## **8 DIVIDENDS**

At a meeting held on 28 March 2024, the Board proposed a final dividend of HK\$1.02 cent (equivalent to RMB0.92 cent) per share for the year ended 31 December 2023. This proposed dividend, representing total amount of approximately HK\$8,419,000 (equivalent to RMB7,630,000), was reflected as an appropriation of share premium for the six months ended 30 June 2024 upon approval by the Shareholders at the annual general meeting of the Company held on 25 June 2024. This final dividend has been paid in August 2024.

## 9 COMMITMENTS

### (a) Capital commitments

As at 30 June 2024 and 31 December 2023, 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 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
No later than 1 year	608	905
Later than 1 year and no later than 2 years	365	222
Later than 2 years and no later than 3 years	111	111
	<u>1,084</u>	<u>1,238</u>

#### *As lessor*

As at 30 June 2024 and 31 December 2023, 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 2024.

## 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 2024, due to the impact of shrinking market demand, the revenue of the municipal public construction segment decreased significantly and the revenue of the Group has been adversely affected

The following table sets forth a breakdown of the Group's revenue by segment for the six months ended 30 June 2024:

	<b>Revenue recognised during the Reporting Period</b> (Unaudited) (RMB million)
Marine construction (including infrastructure construction of ports, waterway engineering and other services)	300.0
Municipal public construction (including construction of public infrastructure within cities, urban greening and construction of buildings)	<u>415.2</u>
Total	<u><u>715.2</u></u>

### Future Plans and Prospects

Facing the severe challenges of the current macroeconomic environment and the overall business environment, the Group will continue to strengthen the monitoring of the market environment, continuously strengthen its risk prevention and control capabilities, focus on key points, consolidate its advantages, continuously review the existing business situation around high-quality development, and make decisions that are beneficial to the Group and its shareholders based on its concerns and expectations for the future of the Group's projects and industries.

From the perspective of the domestic market, the economic development has been subjected to triple pressures, namely contracting demand, supply shock and weakening expectations, especially the continued weakness of the domestic real estate market, which has exerted considerable pressure on the development of the municipal engineering construction segment of the Group. The Group will further optimize resource allocation according to changes in the market environment, improve the utilization rate of corporate resources, adjust business strategies in a timely manner according to the business development situation, and concentrate advantageous resources for the development of its main businesses. At the same time, it will focus on the expansion of emerging markets and develop environmental engineering businesses such as water resources, water environment, water ecological management, and soil pollution prevention and control, so as to provide new productivity for the sustainable development of the Group.

From the perspective of the international market, the world's major changes are accelerating, and unstable factors are increasing in some areas. However, based on people's rigid demand for public facilities and services in emerging economies and some countries (regions), infrastructure investment will be gradually released with economic recovery. The global infrastructure business will usher in a new round of development opportunities. The Group will continue to leverage its pioneering advantages, improve quality and efficiency on the basis of strengthening risk prevention and control, persist in going global, and continue to promote the development and development of Southeast Asia and other overseas markets.

## **Financial Overview**

### **Revenue**

The Group's consolidated revenue in the first half of 2024 was RMB715.2 million, representing a year-on-year decrease of approximately 31.1% from RMB1,038.6 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 RMB300.0 million and RMB415.2 million, respectively. Revenues from the PRC and Southeast Asia in the first half of 2024 were RMB562.2 million and RMB153.0 million, respectively. The decrease in revenue in the first half of 2024 was mainly attributable to that municipal public construction segment revenue declined significantly by 46% compared to that of first half of 2023.

### **Cost of sales and profits from main operations**

The consolidated cost of sales in the first half of 2024 was RMB670.9 million, representing an decrease of 30.7% from RMB967.9 million in the first half of 2023. The costs of marine construction segment and municipal public construction segment in the first half of 2024 were RMB272.8 million and RMB398.1 million, respectively. In the first half of 2024, costs incurred in the PRC and Southeast Asia were RMB528.7 million and RMB142.2 million, respectively.



Cost of sales mainly consists of the cost of used raw materials and consumables and subcontracting costs. In the first half of 2024, cost of used raw materials and consumables and subcontracting costs were RMB367.1 million and RMB235.7 million, representing a decrease of 23.6% and 42.9% from the first half of 2023 respectively. The Group's profit from main operations largely depends on the location and composition of the project. In the first half of 2024, the Group's consolidated profit from main operations was RMB44.3 million, a decrease of 37.3% from RMB70.7 million in the first half of 2023. The gross profits from the marine construction segment and municipal public construction segment in the first half of 2024 were RMB27.3 million and RMB17.0 million, respectively. The gross profits from the PRC and Southeast Asia were RMB33.5 million and RMB10.8 million, respectively.

### **Net impairment losses on financial assets and contract assets**

The Group's provision for loss allowance increased from RMB190.4 million as at 31 December 2023 to RMB282.8 million as at 30 June 2024, which mainly consists of impairment provision on financial assets and contract assets. For the six months ended 30 June 2024, such net impairment losses on financial assets and contract assets were approximately RMB93.0 million, primarily due to (i) the increase in specific provision for several municipal construction projects that are expected to have difficulty in collection, amounting to approximately RMB44.7 million; and (ii) the increase in general provision due to longer ageing and increase in expected loss rate, amounting to approximately RMB42.0 million.

We assess the impairment of trade receivables, retention receivables, long-term trade receivables and contract assets individually or collectively.

Individually impaired financial assets and contract assets are related to customers who are experiencing unexpected economic difficulties or under litigation claims. Facing the severe challenges of the current macroeconomic environment and the overall business environment, the operating conditions of certain customers worsened. We expect there will be a longer settlement period and lower recovery amount than the contractual cash flow, therefore we took more prudent view when assessing expected credit loss for our financial assets and contract assets.

Collectively impaired financial assets and contract assets have been grouped based on shared credit risk characteristics and the days past due. We use expected credit loss model to measure impairment loss of financial assets and contract assets. We made judgements and estimates on the expected loss rates which is subject to a number of key parameters including the past collection history of customers and are adjusted for forward-looking elements. In particular, the adjustment for forward-looking elements is heavily dependent on macroeconomic factors and the likelihood of bases, optimistic and pessimistic scenarios, such as expected significant changes in business, financial or economic conditions that may

impact the customers' ability to meet its obligation, expected significant changes in the performance and behaviour of customers including changes in the payment period.

### **Operating loss**

Operating loss in the first half of 2024 was RMB89.8 million, representing a decrease of 402.4% from RMB29.7 million operating profit in the first half of 2023, mainly due to the increase in the net impairment losses on financial assets and contract assets.

### **Administrative expenses**

The administrative expenses in the first half of 2024 were RMB43.3 million, representing an increase of 14.9% compared to RMB37.7 million in the first half of 2023, primarily because the municipal sector performed poorly due to the impact of the general market environment, resulting in an additional provision for impairment of investment properties of RMB3.6 million.

### **Income tax expense**

The Group's income tax expense in the first half of 2024 was RMB24.7 million, representing an increase of 333.3% compared to RMB5.7 million in the first half of 2023, mainly due to the increase in deferred income tax during the Reporting Period.

### **Trade and other receivables**

The Group's net trade and other receivables decreased to RMB1,663.3 million as at 30 June 2024 (as at 31 December 2023: RMB1,800.5 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 2024 was mainly due to the increase in provision for impairment. The Group has assessed the expected credit losses and has made proper provisions for impairment losses. The Group's net contract assets decreased by RMB57.7 million to RMB811.4 million as at 30 June 2024 from RMB869.1 million as at 31 December 2023.

### **Trade and other payables**

The Group's trade and other payables decreased to RMB1,954.6 million as at 30 June 2024 (as at 31 December 2023: RMB2,216.9 million), which was mainly due to the corresponding decrease in new purchases as a result of the decrease in revenue and the settlement 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 RMB265.3 million (as at 31 December 2023: RMB345.8 million) and RMB271.5 million (as at 31 December 2023: RMB255.8 million), respectively as at 30 June 2024.

As at 30 June 2024, the Group's restricted cash was approximately RMB136.2 million (as at 31 December 2023: RMB161.0 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 2024 was 78.6% (as at 31 December 2023: 76.8%). The Group's bank borrowings as at 30 June 2024 were RMB313.7 million (as at 31 December 2023: RMB203.2 million) which are denominated in RMB and with fixed interest rate.

## **Charges on assets**

As at 30 June 2024, the Group pledged long-term trade receivables with carrying amount of approximately RMB40.1 million (as at 31 December 2023: RMB40.6 million) for the long-term bank borrowings amounted to RMB14.5 million (as at 31 December 2023: RMB14.5 million).

As at 30 June 2024, bills receivables with a total net book amount of RMB41.7 million (as at 31 December 2023: RMB31.7 million) was pledged as collateral for the Group's bank borrowings amounted to RMB41.7 million (as at 31 December 2023: RMB31.7 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. 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 2024, the Group had no major capital commitments.

## **Contingent liabilities**

As at 30 June 2024, the Group had no significant contingent liabilities.

## **Material acquisition and disposal of subsidiaries, associates and joint ventures**

For the six months ended 30 June 2024, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures.

## **Significant investment held**

As at 30 June 2024, 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 2024, 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 <i>(note 1)</i>	Second revised allocation of net proceeds <i>(note 2)</i>	Unutilised as at 31 December 2023	Utilised during the Reporting Period	Unutilised as at 30 June 2024	Expected timeline for utilisation of the unutilised net proceeds
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 <i>(Notes 1 &amp; 2)</i>	—	44.2	113.0	27.8	27.8	—	—
Purchasing new vessels and construction equipment and repair and maintenance of vessels and construction equipment <i>(Note 2)</i>	—	11.2	11.2	—	—	—	—
Recruiting talent	13.0	13.0	13.0	—	—	—	—
Strategic equity investment	68.8	68.8	—	—	—	—	—
General working capital	19.9	19.9	19.9	—	—	—	—
	<u>202.9</u>	<u>202.9</u>	<u>202.9</u>	<u>27.8</u>	<u>27.8</u>	<u>—</u>	

*Notes:*

1. 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.
2. 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 2024.

## **Employees and remuneration policies**

As at 30 June 2024, the Group had a total of 519 employees. All 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 RMB38.2 million for the Reporting Period (six months ended 30 June 2023: approximately RMB31.3 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 (including sale of treasury shares). As at 30 June 2024, the Company did not hold any treasury shares.

### **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 C1 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 C3 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 2024 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
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\$, BNS, 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 PRC, Macau Special Administrative Region of the PRC 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
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
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, 27 August 2024

*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.*