

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



华滋国际海洋工程有限公司
Watts International Maritime Engineering Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2258)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

Financial Summary

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue	960,533	602,832
Gross profit	88,444	74,039
Profit before income tax	29,806	26,304
Profit for the period	24,166	23,235
Total comprehensive income for the period attributable to the Shareholders of the Company	22,710	21,328
Earnings per share for profit attributable to the Shareholders of the Company (expressed in RMB cents per share):		
— Basic earnings per share	2.95	2.82
— Diluted earnings per share	2.95	2.82
	June 30	December 31
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Total assets	3,300,428	3,432,028
Total equity	680,965	663,724

Interim results for the six months ended 30 June 2021

The board of directors of Watts International Maritime Engineering Limited hereby announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2021, which have been reviewed by the Audit Committee, and have been approved by the Board on 27 August 2021.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2021

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		Unaudited	Unaudited
		RMB'000	RMB'000
Revenue	3	960,533	602,832
Cost of sales	3	<u>(872,089)</u>	<u>(528,793)</u>
Gross profit		88,444	74,039
Selling and distribution expenses		(1,891)	(1,509)
Administrative expenses		(47,737)	(40,702)
Net impairment losses on financial assets		(2,975)	(4,456)
Other operating expenses		(675)	(426)
Other income		4,128	2,212
Other (losses)/gains — net		<u>(1,813)</u>	<u>1,570</u>
Operating profit		37,481	30,728
Finance income		2,811	5,102
Finance costs		<u>(10,486)</u>	<u>(9,526)</u>
Finance costs — net		<u>(7,675)</u>	<u>(4,424)</u>
Profit before income tax		29,806	26,304
Income tax expense	4	<u>(5,640)</u>	<u>(3,069)</u>
Profit for the period		<u>24,166</u>	<u>23,235</u>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		(1,837)	(350)
Changes in the fair value of equity instruments at fair value through other comprehensive income		<u>381</u>	<u>(1,557)</u>
Other comprehensive income for the period, net of tax		<u>(1,456)</u>	<u>(1,907)</u>
Total comprehensive income for the period attributable to the Shareholders of the Company		<u>22,710</u>	<u>21,328</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>2.95</u>	<u>2.82</u>
— Diluted earnings per share	5	<u>2.95</u>	<u>2.82</u>

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2021

		30 June 2021	31 December 2020
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		89,828	107,116
Right-of-use assets		15,045	15,972
Intangible assets		331	403
Contract assets	3	562,989	482,300
Trade and other receivables	6	109,238	112,386
Deferred tax assets		12,437	10,457
Financial assets at fair value through other comprehensive income		4,173	3,792
		794,041	732,426
Current assets			
Inventories		134,650	68,781
Contract assets	3	651,366	679,468
Trade and other receivables	6	1,307,169	1,413,376
Financial assets at fair value through profit or loss		50	50
Restricted cash		67,133	114,231
Cash and cash equivalents		346,019	423,696
		2,506,387	2,699,602
Total assets		3,300,428	3,432,028
EQUITY			
Capital and reserves			
Share capital		7,303	7,303
Shares held for employee share scheme		(4,756)	(4,756)
Share premium		291,528	296,997
Other reserves		12,600	11,521
Retained earnings		374,290	352,659
Total equity		680,965	663,724

		30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		22,000	24,500
Lease liabilities		3,570	4,087
Trade and other payables	7	<u>288,260</u>	<u>256,224</u>
		<u>313,830</u>	<u>284,811</u>
Current liabilities			
Lease liabilities		2,376	2,507
Borrowings		59,750	29,500
Trade and other payables	7	2,133,366	2,321,453
Income tax payables		15,424	18,579
Contract liabilities	3	<u>94,717</u>	<u>111,454</u>
		<u>2,305,633</u>	<u>2,483,493</u>
Total liabilities		<u>2,619,463</u>	<u>2,768,304</u>
Total equity and liabilities		<u><u>3,300,428</u></u>	<u><u>3,432,028</u></u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

1 GENERAL INFORMATION

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

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

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

The condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated, and were approved for issue by the Board of Directors (the “**Board**”) on 27 August 2021.

The condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the half-year reporting period ended 30 June 2021 has been prepared in accordance with Accounting Standard HKAS 34 Interim Financial Reporting.

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this information is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020 and any announcements made by the Company during the interim reporting period.

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

(a) New and amended standards adopted by the Group

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

		Effective for annual periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase II	1 January 2021

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

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020	1 January 2022	1 January 2022

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

3 SEGMENT INFORMATION

(a) Description of segments and principal activities

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

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

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

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

(b) Segment results and other information

The revenue from customers is measured in the same way as in the condensed consolidated interim statement of comprehensive income. The segment information for the six months ended 30 June 2021 is as follows:

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

The segment assets and liabilities as at 30 June 2021 are as follows:

	As at 30 June 2021 (unaudited)			Total
	Marine construction RMB'000	Municipal public construction RMB'000	Inter- segment elimination RMB'000	RMB'000
Total assets	<u>1,828,509</u>	<u>1,577,553</u>	<u>(105,634)</u>	<u>3,300,428</u>
Total liabilities	<u>1,361,309</u>	<u>1,363,788</u>	<u>(105,634)</u>	<u>2,619,463</u>

The segment information for the six months ended 30 June 2020 is as follows:

	Six months ended 30 June 2020 (unaudited)			
	Marine construction <i>RMB'000</i>	Municipal public construction <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	181,449	465,375	(43,992)	602,832
Cost of sales	<u>(156,063)</u>	<u>(416,722)</u>	<u>43,992</u>	<u>(528,793)</u>
Gross profit	<u>25,386</u>	<u>48,653</u>	<u>—</u>	<u>74,039</u>
Unallocated item:				
Operating expenses				(47,093)
Other income				2,212
Other gains — net				1,570
Finance costs — net				<u>(4,424)</u>
Profit before income tax				26,304
Income tax expense (<i>Note 4</i>)				<u>(3,069)</u>
Profit for the period				<u><u>23,235</u></u>
Segment items included:				
Depreciation and amortisation	(5,613)	(3,397)	—	(9,010)
Net impairment losses on financial assets	<u>(8,590)</u>	<u>4,134</u>	<u>—</u>	<u>(4,456)</u>

The segment assets and liabilities as at 31 December 2020 are as follows:

	As at 31 December 2020 (audited)			
	Marine construction <i>RMB'000</i>	Municipal public construction <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Total assets	<u>1,817,405</u>	<u>1,710,094</u>	<u>(95,471)</u>	<u>3,432,028</u>
Total liabilities	<u>1,353,910</u>	<u>1,509,865</u>	<u>(95,471)</u>	<u>2,768,304</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)						
	2021			2020			
	Marine construction	Municipal public construction	Total	Marine construction	Municipal public construction	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China							
Revenue	364,685	484,537	849,222	139,131	465,375	(43,992)	560,514
Cost of sales	(331,802)	(436,538)	(768,340)	(118,064)	(416,722)	43,992	(490,794)
	<u>32,883</u>	<u>47,999</u>	<u>80,882</u>	<u>21,067</u>	<u>48,653</u>	<u>—</u>	<u>69,720</u>
Southeast Asia							
Revenue	111,311	—	111,311	42,318	—	—	42,318
Cost of sales	(103,749)	—	(103,749)	(37,999)	—	—	(37,999)
	<u>7,562</u>	<u>—</u>	<u>7,562</u>	<u>4,319</u>	<u>—</u>	<u>—</u>	<u>4,319</u>

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 2021	31 December 2020
	Unaudited	Audited
	RMB'000	RMB'000
Mainland China	91,350	108,071
Southeast Asia	<u>13,854</u>	<u>15,420</u>
Total	<u>105,204</u>	<u>123,491</u>

(d) **Contract assets and liabilities**

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

	As at	
	2021	2020
	30 June	31 December
	Unaudited	Audited
	RMB'000	RMB'000
Contract assets		
Current portion		
Marine construction	406,436	414,458
Municipal public construction	258,069	278,734
Less: allowance for impairment of contract assets	(13,139)	(13,724)
	651,366	679,468
Non-current portion		
Marine construction	91,025	73,997
Municipal public construction	485,936	420,240
Less: allowance for impairment of contract assets	(13,972)	(11,937)
	562,989	482,300
Total contract assets	1,214,355	1,161,768
Contract liabilities		
Marine construction	24,107	40,483
Municipal public construction	70,610	70,971
Total contract liabilities	94,717	111,454

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	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	7,636	3,871
Deferred income tax	(1,996)	(802)
	<hr/>	<hr/>
Income tax expense — net	<u>5,640</u>	<u>3,069</u>

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the entity operates. The decrease in income tax expense during the period is due to the impact of adjustment for current income tax expense of prior year.

(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 2021 and 2020.

(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% (2020: 25%) on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations, except for the one as disclosed below.

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

(e) Brunei income tax

One of the Company’s subsidiaries incorporated in Brunei is subject to Brunei income tax. The applicable Brunei income tax rate is 18.5% for the six months ended 30 June 2021 and 2020.

(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 2021 and 2020, income tax was provided at the rate of 3% on the construction and income tax of 20% was provided on the interest income from bank deposits, according to respective Indonesia income tax laws and regulations.

5 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the six months ended 30 June 2021 and 2020 attributable to the Shareholders of the Company and the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Profit attributable to the Shareholders of the Company (<i>RMB’000</i>)	24,166	23,235
Weighted average number of ordinary shares in issue (<i>thousands</i>)	819,008	825,263
Total basic earnings per share attributable to the ordinary equity holders of the Group (<i>RMB cents</i>)	<u>2.95</u>	<u>2.82</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 2021 and 2020.

6 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2021	31 December 2020
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (i)	1,024,661	1,124,138
Less: allowance for impairment of trade receivables	<u>(74,841)</u>	<u>(74,021)</u>
Trade receivables — net	<u>949,820</u>	<u>1,050,117</u>
Retention receivables (ii)	241,423	259,912
Less: allowance for impairment of retention receivables	<u>(18,900)</u>	<u>(18,222)</u>
Retention receivables — net	<u>222,523</u>	<u>241,690</u>
Bills receivables (i)	28,017	21,381
Long-term trade receivables (iii, iv)	52,659	54,398
Less: allowance for impairment of long-term trade receivables	<u>(1,809)</u>	<u>(1,880)</u>
Long-term trade receivables-net	<u>50,850</u>	<u>52,518</u>
Other receivables	55,336	53,065
Prepayments	108,932	106,396
Prepaid taxation	<u>929</u>	<u>595</u>
	<u>1,416,407</u>	<u>1,525,762</u>
Less: non-current portion		
Retention receivables (ii)	(57,360)	(59,474)
Long-term trade receivables (iii, iv)	(47,396)	(49,158)
Other receivables	<u>(4,482)</u>	<u>(3,754)</u>
	<u>(109,238)</u>	<u>(112,386)</u>
Current portion	<u><u>1,307,169</u></u>	<u><u>1,413,376</u></u>

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

The carrying amounts of trade and retention receivables approximate their fair value as at 30 June 2021 and 31 December 2020.

As at 30 June 2021 and 31 December 2020, 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 2021	31 December 2020
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	316,105	374,850
4 to 6 months	54,027	144,160
7 to 12 months	241,498	95,271
1 to 2 years	152,541	263,133
2 to 3 years	160,203	124,241
Over 3 years	128,304	143,864
	1,052,678	1,145,519

- (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 2021	31 December 2020
	Unaudited	Audited
	RMB'000	RMB'000
Within 1 year	39,101	42,864
1 to 2 years	47,533	103,467
2 to 3 years	50,901	19,862
3 to 4 years	58,452	53,410
4 to 5 years	22,488	18,309
Over 5 years	22,948	22,000
	<u>241,423</u>	<u>259,912</u>

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

- (iii) Long-term trade receivables represent amounts due from customers for services performed relating to a public-private-partnership with quarterly instalment in fifteen years. Long-term trade receivables were measured at amortised cost using the effective interest method at average rate of 5.39%.
- (iv) As at 30 June 2021, the Group pledged long-term trade receivables with carrying amount of approximately RMB50,850,000 (As at 31 December 2020: RMB52,518,000) for the bank borrowings amounted to RMB26,750,000 (As at 31 December 2020: RMB29,000,000).

7 TRADE AND OTHER PAYABLES

	As at	
	30 June 2021	31 December 2020
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (<i>i</i>)	1,530,473	1,674,743
Bills payables (<i>i</i>)	450	28,000
Retention payables (<i>ii</i>)	187,991	180,382
Long-term payables (<i>iii</i>)	450,349	438,401
Payroll and social security	14,464	23,355
Other payables	96,841	88,695
Dividends payable	5,469	—
Other tax liabilities excluding income tax liabilities	135,589	144,101
	<u>2,421,626</u>	<u>2,577,677</u>
Less: non-current portion		
Retention payables (<i>ii</i>)	(102,763)	(95,654)
Long-term payables (<i>iii</i>)	(144,697)	(129,770)
Other payables	(40,800)	(30,800)
	<u>(288,260)</u>	<u>(256,224)</u>
Current portion	<u><u>2,133,366</u></u>	<u><u>2,321,453</u></u>

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

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade and bills payables based on the payment requests or demand notes is as follows:

	As at	
	30 June 2021	31 December 2020
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	598,204	634,850
4 to 6 months	211,368	190,834
7 to 12 months	142,315	234,488
1 to 2 years	260,130	321,015
2 to 3 years	141,409	144,190
Over 3 years	177,497	177,366
	<u>1,530,923</u>	<u>1,702,743</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 2021	31 December 2020
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	21,162	34,438
1 to 5 years	120,803	101,449
Over 5 years	46,026	44,495
	<u>187,991</u>	<u>180,382</u>

(iii) Long-term payables mainly consist of long-term trade payables and amount due to Watts Gallop Holding Group Co., Ltd. (“**Watts Gallop**”) of approximately RMB48,049,000, representing unsettled consideration for the acquisition of the Acquired Group. 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 4.35% 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 2021	31 December 2020
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	94,905	131,265
1 to 5 years	283,021	237,570
Over 5 years	72,423	69,566
	450,349	438,401

8 DIVIDENDS

At a meeting held on 25 March 2021, the Board proposed a final dividend of HK0.80 cents (equivalent to RMB0.66 cents) per share for the year ended 31 December 2020. This proposed dividend, representing total amount of approximately HK\$6,603,000 (equivalent to RMB5,469,000), was reflected as an appropriation of share premium for the six months ended 30 June 2021 upon approval by the Shareholders at the annual general meeting of the Company held on 17 June 2021. This final dividend has been paid in August.

9 COMMITMENTS

(a) Capital commitments

As at 30 June 2021 and 31 December 2020, the Group and the Company did not have any 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 2021	31 December 2020
	Unaudited	Audited
	RMB'000	RMB'000
No later than 1 year	300	300
Later than 1 year and no later than 2 years	—	150
	300	450

As lessor

As at 30 June 2021 and 31 December 2020, the Group had the following total future minimum lease receivables under the non-cancellable operating leases falling due as follows:

	As at	
	30 June 2021	31 December 2020
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
No later than 1 year	1,932	1,932
Later than 1 year and no later than 2 years	966	1,932
	<u>2,898</u>	<u>3,864</u>

10 EVENT AFTER THE REPORTING PERIOD

There were no other material subsequent events undertaken by the Company or by the Group after 30 June 2021.

Management Discussion and Analysis

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

Business Review

In the first half of 2021, the Group has steadily developed its core businesses, as well as actively expanding into new areas according to its strategic plan.

The following table sets forth a breakdown of the Group's revenue by segment for the six months ended 30 June 2021:

	Revenue recognised during the Reporting Period (Unaudited) <i>(RMB in million)</i>
Marine construction, including infrastructure construction of ports, waterway engineering and other services	476.0
Municipal public construction, including construction of public infrastructure within cities, urban greening and construction of buildings	484.5
Total	<u>960.5</u>

Future Plans and Prospects

As always, the Group has been actively monitoring the market conditions and taking appropriate measures to reduce the adverse effects. At the same time, the Group has strengthened its internal and project cost control, optimised and integrated the Group's resources, and explored new business areas based on its existing business to maximise the return to Shareholders.

From the perspective of the domestic market, China's economy has been improving in the long run with broad market space and strong development resilience. According to the relevant planning of the "14th Five-Year Plan", the State will coordinate and promote the construction of new infrastructure, weak links of traditional infrastructure and related major projects during the "14th Five-Year Plan" period, promote the coordinated development of regions and continue to promote the construction of ecological and environmental

protection. Based on our leading market position in the port, waterway, municipal and construction industries in the PRC, the Group actively participated in marine infrastructure upgrade projects and new urbanisation construction projects, extended the development of environmental engineering business, developed water environment management and watershed management, and participated in ecological and environmental governance projects to expand revenue sources.

From the perspective of the international market, due to the cross-impact of the COVID-19 pandemic and the difficulties in economic growth, the industrial chain and supply chain in the international market have been greatly affected, the international environment has been volatile, the uncertainties have increased, and the international trade has shrunk significantly, further hindering the recovery of the global economy. The Group will pay close attention to the changes in the international market, review the existing overseas development pattern from time to time, re-evaluate, re-improve and re-upgrade the overseas risk management and control system based on the current situation, carry out “stability” to prevent and control risks, and firmly hold the bottom line of high-quality development.

Financial Overview

Revenue

The Group’s consolidated revenue in the first half of 2021 was RMB960.5 million, representing a year-on-year increase of approximately 59.3% from RMB602.8 million in the same period of last fiscal year. The main operation income was divided into marine construction segment and municipal public construction segment this year, with revenues of RMB476.0 million and RMB484.5 million, respectively. Revenues from the PRC and Southeast Asia in 2021 were RMB849.2 million and RMB111.3 million, respectively. The increase in revenue in the first half of 2021 was mainly attributable to, among other things, that the revenue of the Group’s municipal works construction segment maintained a steady growth, and the revenue of the marine construction segment increased significantly as compared with the corresponding period of last year, resulting in a significant increase in the overall revenue.

Cost of sales and profits from main operations

The consolidated cost of sales in the first half of 2021 was RMB872.1 million, representing an increase of 64.9% from RMB528.8 million in the first half of 2020. The costs of marine construction segment and municipal public construction segment in the first half of 2021 were RMB435.6 million and RMB436.5 million, respectively. In the first half of 2021, cost incurred in the PRC and Southeast Asia was RMB768.4 million and RMB103.7 million, respectively.

Cost of sales mainly consists of the cost of used raw materials and consumables and subcontracting costs. In the first half of 2021, cost of used raw materials and consumables and subcontracting costs were RMB433.7 million and RMB356.9 million, representing an increase of 45.8% and 99.0% from the first half of 2020 respectively, which was mainly due to the significant increase in revenue of the Group's marine construction segment this year as compared with the corresponding period of last year, and the corresponding increase in material and subcontracting costs. The Group's profit from main operations largely depends on the location and composition of the project. In the first half of 2021, the Group's consolidated profit from main operations was RMB88.4 million, an increase of 19.5% from RMB74.0 million in the first half of 2020. The gross profits from the marine construction segment and municipal public construction segment in the first half of 2021 were RMB40.4 million and RMB48.0 million, respectively. The gross profits from the PRC and Southeast Asia were RMB80.8 million and RMB7.6 million, respectively.

Operating profit in the first half of 2021 was RMB37.5 million, representing an increase of 22.0% from RMB30.7 million in the first half of 2020, mainly due to the Group's business expansion and revenue growth during the year.

Administrative expenses

The administrative expenses in the first half of 2021 was RMB47.7 million, representing an increase of 17.3% compared to RMB40.7 million in the first half of 2020, primarily because the increase in staff costs, office expenses and operating expenses for new business expansion.

Income tax expense

The Group's income tax expense in the first half of 2021 was RMB5.6 million, representing an increase of 83.8% compared to RMB3.1 million in the first half of 2020, mainly due to the increase in revenue and profit before tax for the year.

Trade and other receivables

The Group's net trade and other receivables decreased to RMB1,416.4 million as at 30 June 2021 (as at 31 December 2020: RMB1,525.8 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 2021 was mainly due to the completion of certain 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 RMB52.6 million to RMB1,214.4 million as at 30 June 2021 from RMB1,161.8 million as at 31 December 2020.

Trade and other payables

The Group's trade and other payables decreased to RMB2,421.6 million as at 30 June 2021 (as at 31 December 2020: RMB2,577.7 million), mainly due to some of them having paid in accordance with payment treaties and other procurement and subcontracting projects commenced having not yet due for payment.

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 RMB200.8 million (as at 31 December 2020: RMB216.1 million) and RMB346.0 million (as at 31 December 2020: RMB423.7 million), respectively as at 30 June 2021.

The Group's gearing ratio (calculating by dividing total liabilities by total assets) as at 30 June 2021 was 79.4% (as at 31 December 2020: 80.7%). The Group's bank borrowings as at 30 June 2021 were RMB81.8 million (as at 31 December 2020: RMB54.0 million) which are denominated in RMB and with fixed interest rate.

Charges on assets

As at 30 June 2021, the Group had no charges on assets.

Foreign exchange

Operations of the Group are mainly conducted in RMB, HK\$, BND, US\$ and IDR. 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; and (ii) to settle payments to our suppliers and operating expenses where possible. In the event that settlements from the Group's customers are received in a currency other than the Major Currencies, such currency will be retained for payment of operating expenditures when necessary and the remaining amount will be converted to HK\$ or US\$ promptly.

Capital expenditures and commitments

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

As at 30 June 2021, the Group had no major capital commitments.

Contingent liabilities

As at 30 June 2021, the Group had no contingent liabilities.

Material acquisition and disposal of subsidiaries, associates and joint ventures

During the six months ended 30 June 2021, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures.

Significant investment held

As at 30 June 2021, the Group had no significant investment.

Use of Proceeds

The Group's net proceeds from the Listing were approximately HK\$202.9 million. As at 30 June 2021, the utilisation of net proceeds raised by the Group from the Listing is as below:

(HK\$ in million)

	Original allocation of net proceeds as stated in the Prospectus	Revised allocation of net proceeds	Utilised up to 30 June 2021	Unutilised up to 30 June 2021	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)	—	44.2	44.2	—	—
Purchasing new vessels and construction equipment and repair and maintenance of vessels and construction equipment (Note 2)	—	11.2	3.8	7.4	December 2022 or before
Recruiting talent	13.0	13.0	9.7	3.3	December 2022 or before
Strategic equity investment	68.8	68.8	—	68.8	December 2022 or before
General working capital	19.9	19.9	19.9	—	—
	<u>202.9</u>	<u>202.9</u>	<u>123.4</u>	<u>79.5</u>	

Notes:

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

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

During the six months ended 30 June 2021, the proceeds raised by the Company from the Listing were utilised, or were proposed to be utilised, according to the intentions previously disclosed by the Company.

Interim Dividend

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

Having considered the above factors, in particular, the need to maintain sufficient cash flow for daily operation and expansion, the Board has resolved not to declare any dividend for the six months ended 30 June 2021.

Employees and Remuneration Policies

As at 30 June 2021, the Group had a total of 597 employees. In particular, Third Harbor Maritime had a total of 184 employees, Benteng Indonesia had a total of 116 employees (including 27 Chinese employees who are appointed by Third Harbor Maritime and have entered into employment contracts with Third Harbor Maritime, and we have purchased relevant insurance for them in both China and Indonesia), Shanghai Third Harbor Benteng Environmental Technology Co., Ltd. had 20 employees, Shanghai Watts Benteng Municipal Public Engineering Co., Ltd. and its subsidiaries had a total of 277 employees. Our employees have been paid remuneration in accordance with relevant laws and regulations in China and Indonesia. 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 RMB31.5 million for the Reporting Period (six months ended 30 June 2020: approximately RMB22.4 million).

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

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

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

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

Model Code for Securities Transactions by Directors

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

Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted all code provisions in 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.

Definitions

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

Audit Committee	the audit committee of the Company
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
BN\$ or BND	Brunei Dollars, the lawful currency of Brunei
Board	the board of Directors of the Company
Company	Watts International Maritime Engineering 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
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

PRC or China	the People's Republic of China, but for the purpose of this report only and, unless the context otherwise requires, excluding Hong Kong Special Administrative Region of the People's Republic of China, Macau Special Administrative Region of the People's Republic of China and Taiwan
Prospectus	the prospectus of the Company on 30 October 2018
Renminbi or RMB	Renminbi, the lawful currency of the PRC
Reporting Period	the six months ended 30 June 2021
SFO	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
Share(s)	ordinary shares of HK\$0.01 each in the share capital of the Company
Shareholder(s)	holder(s) of the Shares
Stock Exchange	The Stock Exchange of Hong Kong Limited
Third Harbor Maritime	Shanghai Third Harbor Benteng Maritime Engineering Co., Ltd.* (上海三航奔騰海洋工程有限公司), established under the laws of the PRC as a limited liability company on 14 August 2017, and a wholly-owned subsidiary of our Company
US\$, USD or US dollars	U.S. dollars, the lawful currency of U.S.

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

Shanghai, 27 August 2021

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.