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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

Financial Summary

	Year ended 31 December	
	2018	2017
	RMB '000	*RMB '000*
Revenue	**1,489,656**	1,411,968
Gross profit	**190,301**	159,137
Profit before income tax	**132,514**	113,286
Profit for the year	**104,066**	87,274
Total comprehensive income for the year attributable to the shareholders of the Company	**104,932**	87,101
Earnings per share for profit attributable to the shareholders of the Company (expressed in RMB cents per share):		
— Basic earnings per share	**16.18**	14.10
— Diluted earnings per share	**16.18**	14.10

	As at 31 December	
	2018	2017
	RMB '000	*RMB '000*
Total assets	**2,089,680**	1,771,935
Total equity	**532,215**	607,496

Annual results for the year ended 31 December 2018

The board (the "**Board**") of directors (the "**Directors**") of Watts International Maritime Engineering Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2018, which have been reviewed by the audit committee of the Company (the "**Audit Committee**"), and have been approved by the Board on 27 March 2019.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	3	**1,489,656**	1,411,968
Cost of sales		**(1,299,355)**	(1,252,831)
Gross profit		**190,301**	159,137
Selling and distribution expenses		**(2,981)**	(2,184)
Administrative expenses		**(51,259)**	(38,478)
Net impairment losses on financial assets		**(8,675)**	(5,713)
Other operating expenses		**(332)**	(437)
Other income		**2,396**	2,401
Other gains — net	4	**419**	539
Operating profit		**129,869**	115,265
Finance income		**2,986**	391
Finance costs		**(341)**	(2,543)
Share of net profit of associates accounted for using the equity method		**—**	173
Profit before income tax		**132,514**	113,286
Income tax expense	5	**(28,448)**	(26,012)
Profit for the year		**104,066**	87,274
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**866**	(173)
Other comprehensive income for the year net of tax		**866**	(173)
Total comprehensive income for the year attributable to the shareholders of the Company		**104,932**	87,101
Earnings per share for profit attributable to the shareholders of the Company (expressed in RMB cents per share):			
— Basic earnings per share	6	**16.18**	14.10
— Diluted earnings per share	6	**16.18**	14.10

Consolidated Statement of Financial Position

As at 31 December 2018

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Contract assets		**182,635**	97,085
Property, plant and equipment		**75,917**	82,646
Intangible assets		**489**	343
Trade and other receivables	7	**1,965**	13,848
Deferred tax assets		**—**	12,093
		261,006	206,015
Current assets			
Contract assets		**269,905**	138,005
Inventories		**12,113**	5,730
Trade and other receivables	7	**1,160,689**	977,413
Amounts due from shareholders		**—**	294,484
Financial assets at fair value through profit or loss		**—**	20,000
Restricted cash		**77**	8,024
Cash and cash equivalents		**385,890**	122,264
		1,828,674	1,565,920
Total assets		**2,089,680**	1,771,935
EQUITY			
Capital and reserves			
Share capital		**7,303**	8
Share premium		**322,551**	—
Other reserves		**12,876**	119,870
Retained earnings		**189,485**	487,618
Total equity		**532,215**	607,496

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Trade and other payables	8	**48,457**	181,450
Deferred tax liabilities		**9,258**	11,760
		57,715	193,210
Current liabilities			
Trade and other payables	8	**1,467,366**	940,508
Income tax payables		**27,623**	7,038
Contract liabilities		**4,761**	23,683
		1,499,750	971,229
Total liabilities		**1,557,465**	1,164,439
Total equity and liabilities		**2,089,680**	1,771,935

Notes to Annual Result Announcement

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, Harbor Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1–1002, Cayman Islands.

The Company, an investment holding company, and its subsidiaries provide port, waterway and marine engineering business, including infrastructure construction of ports and waterway engineering services (the "**Listing Business**"). 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**").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) which were measured at fair value.

For details of significant accounting policies, please refer to Note 2 in the Accountant's Report (the "**Accountant's Report**") included as Appendix I to the Company's Prospectus dated 30 October 2018.

2.2 Basis of presentation

In preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganisation (the "**Reorganisation**"), pursuant to which the Listing Business were transferred to the Company. For details of the Reorganisation, please refer to Note 1.2 of the Accountant's Report.

Immediately prior to the Reorganisation, the Listing Business has been conducted through the Shanghai Third Harbor Benteng Construction and Engineering Co., Ltd. ("**Third Harbor Construction**"), a wholly owned subsidiary of Shanghai Watts Gallop Holding Group Co., Ltd., Shanghai Third Harbor Benteng Maritime Engineering Co., Ltd. ("**Third Harbor Maritime**"), Pahaytc & Benteng JV Sdn Bhd ("**Benteng Brunei**") and PT. Shanghai Third Harbor Benteng Construction and Engineering ("**Benteng Indonesia**") (collectively, the "**Operating Companies**"). Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company and the newly incorporated companies have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the Controlling Shareholders of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business conducted through the Company, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented. For the details on the basis of presentation, please refer to Note 1.3 of the Accountant's Report.

2.3 New standards and interpretations not yet adopted

The following certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019 (a)
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements to HKFRS Standards 2015–2017 Cycle		1 January 2019
Amendments to HKFRS 3	Definition of business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(a) HKFRS 16 Leases

The Group's assessment of the impact of HKFRS 16 Leases is set out below.

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The management reviewed all of the Group's leasing arrangements over the year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB2,740,000. Of these commitments, approximately RMB2,102,000 relate to short-term leases which will be recognised on a straight line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately RMB593,000 on 1 January 2019, lease liabilities of RMB593,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Group expects that profit before income tax will not be significantly impacted for the year ending 31 December 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows will decrease by approximately RMB403,000 as repayment of the lease liabilities will be classified as cash flows from financing activities.

However, the Group is still in the progress of assessing what other adjustments if any are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options.

The Group's activities as a lessor were not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Apart from HKFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

(a) Description of segments and principal activities

The chief operating decision-maker has been identified as the executive directors and the manager for corporate planning. 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) Ports infrastructure; and

(ii) Waterway engineering.

The segment results represent the gross profit of the ports infrastructure and waterway engineering.

The amounts provided to the management with respect to total assets, total liabilities and capital expenditure are measured in a manner consistent with that of consolidated financial statements. The management reviews the total assets, total liabilities and capital expenditure at Group level, therefore no segment information of total assets, total liabilities and capital expenditure information was presented.

(b) Segment results and other information

The revenue from external parties is measured in the same way as in the consolidated statement of comprehensive income.

The segment information for the year ended 31 December 2018 is as follows:

	Year ended 31 December 2018		
	Ports infrastructure	**Waterway engineering**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	**1,380,143**	**109,513**	**1,489,656**
Cost of sales	**(1,198,095)**	**(101,260)**	**(1,299,355)**
Segment results	**182,048**	**8,253**	**190,301**
Unallocated item:			
Selling and distribution expenses			**(2,981)**
Administrative expenses			**(51,259)**
Net impairment losses on financial assets			**(8,675)**
Other operating expenses			**(332)**
Other income			**2,396**
Other gains — net *(Note 4)*			**419**
Finance income — net			**2,645**
Profit before income tax			**132,514**
Income tax expense *(Note 5)*			**(28,448)**
Profit for the year			**104,066**
Segment items included:			
Depreciation and amortisation	**(10,099)**	**(801)**	**(10,900)**
Net impairment losses on financial assets	**(8,359)**	**(316)**	**(8,675)**

The segment information for the year ended 31 December 2017 is as follows:

	Year ended 31 December 2017		
	Ports infrastructure	Waterway engineering	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,362,268	49,700	1,411,968
Cost of sales	(1,206,721)	(46,110)	(1,252,831)
Segment results	155,547	3,590	159,137
Unallocated item:			
Selling and distribution expenses			(2,184)
Administrative expenses			(38,478)
Net impairment losses on financial assets			(5,713)
Other operating expenses			(437)
Other income			2,401
Other gains — net *(Note 4)*			539
Finance costs — net			(2,152)
Share of net profit of associates			173
Profit before income tax			113,286
Income tax expense *(Note 5)*			(26,012)
Profit for the year			87,274
Segment items included:			
Depreciation and amortisation	(9,279)	(339)	(9,618)
Net impairment losses on financial assets	(5,373)	(340)	(5,713)

(c) Revenue from external customers

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Mainland China		
Ports infrastructure		
Revenue	**842,372**	918,785
Cost of sales	**(754,084)**	(828,775)
	88,288	90,010
Waterway engineering		
Revenue	**109,513**	49,700
Cost of sales	**(101,260)**	(46,110)
	8,253	3,590
Southeast Asia		
Ports infrastructure		
Revenue	**537,771**	443,483
Cost of sales	**(444,011)**	(377,946)
	93,760	65,537

4 OTHER GAINS — NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Gains on receivables transferred under Novation Agreement (as defined in Note 7(iii))	**2,405**	—
Net foreign exchange (losses)/gains	**(1,240)**	380
Donations	**(883)**	—
Net gains on disposal of financial assets at fair value through profit or loss	**215**	—
Net (losses)/gains on disposal of property, plant and equipment	**(78)**	332
Losses on disposal of investment in associates	**—**	(173)
	419	539

5 INCOME TAX EXPENSE

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax	**30,499**	27,211
Deferred income tax	**(2,051)**	(1,199)
Income tax expense — net	**28,448**	26,012

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

(i) Cayman Islands profit tax

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

(ii) BVI profits tax

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

(iii) 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 year ended 31 December 2018 and 2017.

(iv) PRC corporate income tax ("CIT")

The Company's subsidiaries incorporated in Mainland China are subject to PRC income tax. The applicable CIT tax rate is 25% for the year ended 31 December 2018 and 2017.

(v) 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 year ended 31 December 2018 and 2017.

(vi) 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 year ended 31 December 2018 and 2017, income tax was provided at the rate of 4% on the construction revenue before 31 October 2017 and 3% for the two months ended 31 December 2017 and for the year ended 31 December 2018, and income tax of 20% was provided on the interest income from bank deposits, according to respective Indonesia income tax laws and regulations.

6 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 year attributable to shareholders of the Company and the weighted average number of ordinary shares in issue.

The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation and the capitalisation issue of ordinary shares, both completed during 2018.

	2018	2017
Profit attributable to the shareholders of the Company (RMB'000)	**104,066**	87,274
Weighted average number of ordinary shares in issue (thousands)	**643,360**	619,050
Total basic earnings per share attributable to the ordinary equity holders of the Group (RMB cents)	**16.18**	14.10

(b) Diluted earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary share outstanding as at 31 December 2018 and 2017.

7 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables *(i)*	**975,482**	780,382
Less: allowance for impairment of trade receivables *(iii)*	**(6,799)**	(24,667)
Trade receivables — net *(i)*	**968,683**	755,715
Retention receivables *(ii)*	**139,790**	195,113
Less: allowance for impairment of retention receivables *(iii)*	**(137)**	(22,635)
Retention receivables — net *(ii)*	**139,653**	172,478
Bills receivables *(i)*	**11,669**	1,710
Other receivables	**39,212**	50,392
Prepayments	**3,437**	2,609
Prepaid taxation	**—**	8,357
	1,162,654	991,261
Less: non-current portion		
Retention receivables *(ii)*	**(1,965)**	(13,848)
Current portion	**1,160,689**	977,413

(i) The Group's revenues are generated through marine construction services and 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 receivable balances.

The carrying amounts of trade and retention receivables approximate their fair value as at 31 December 2018 and 2017.

As at 31 December 2018 and 2017, the ageing analysis of the trade and bills receivables based on the payment requests or demand notes of customers is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Up to 3 months	**452,867**	455,957
4 to 6 months	**139,889**	77,384
7 to 12 months	**28,513**	74,549
1 to 2 years	**310,369**	85,940
2 to 3 years	**21,525**	50,793
Over 3 years	**33,988**	37,469
	987,151	782,092

(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 two years, and the maintenance cost is usually immaterial during that period. In the consolidated 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 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**6,033**	92,625
1 to 2 years	**90,379**	40,901
2 to 3 years	**25,902**	35,112
3 to 4 years	**14,439**	5,440
4 to 5 years	**491**	5,820
Over 5 years	**2,546**	15,215
	139,790	195,113

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

(iii) On 6 July 2018, Third Harbor Construction and Third Harbor Maritime entered into a supplemental agreement to the Business and Asset Transfer Agreements (the "**Novation Agreement**"), pursuant to which certain assets and liabilities, including trade and other receivables, trade and other payables and contract assets relating to the Listing Business were transferred to Third Harbor Maritime from Third Harbor Construction. The consideration was determined with reference to the carrying amount of the net trade and other receivables, trade and other payables and contract assets. Accordingly, the trade and other receivables recorded by Third Harbor Maritime under the Novation Agreement has taken into account the effect of the allowance for impairment of trade and other receivables of RMB47,302,000 previously recorded by Third Harbor Construction.

Subsequently, when the actual cash collection of the above trade and other receivables exceeds the amount recorded by the Third Harbor Maritime, the difference is recognised in "other gains-net" *(Note 4)*.

8 TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables *(i)*	**1,036,321**	645,118
Bills payables *(i)*	**1,500**	9,219
Retention payables *(ii)*	**121,249**	117,524
Long-term payables *(iii)*	**275,939**	293,162
Payroll and social security	**6,112**	4,581
Other payables	**23,104**	15,403
Other tax liabilities excluding income tax liabilities	**51,598**	36,951
	1,515,823	1,121,958
Less: non-current portion		
Retention payables *(ii)*	**(38,655)**	(48,630)
Long-term payables *(iii)*	**(9,802)**	(132,820)
	(48,457)	(181,450)
Current portion	**1,467,366**	940,508

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

As at 31 December 2017 and 2018, the ageing analysis of the trade and bills payables based on the payment requests or demand notes is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**410,269**	239,998
4 to 6 months	**181,530**	149,227
7 to 12 months	**106,547**	145,966
1 to 2 years	**251,139**	71,331
2 to 3 years	**55,953**	25,860
Over 3 years	**32,383**	21,955
	1,037,821	654,337

(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 two years. In the consolidated 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 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**27,820**	51,323
1 to 5 year	**83,787**	59,029
Over 5 years	**9,642**	7,172
	121,249	117,524

(iii) Long-term payables represent amounts due to suppliers for certain construction services with unbilled payables and the expected billing periods are over one year. In the consolidated 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 of the long-term payables is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**66,732**	151,611
1 to 5 year	**191,092**	133,416
Over 5 years	**18,115**	8,135
	275,939	293,162

9 DIVIDENDS

No dividend was approved nor paid out by the Company and the Group during the year ended 31 December 2018 and 2017.

10 COMMITMENTS

(a) Capital commitments

As at 31 December 2018 and 2017, the Group and the Company did not have any significant capital commitments.

(b) Commitments under operating leases

As at 31 December 2018 and 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
No later than 1 year	**2,537**	20,834
Later than 1 year and no later than 2 years	**203**	403
Later than 2 years and less than 3 years	**—**	203
	2,740	21,440

11 EVENTS AFTER THE BALANCE SHEET DATE

There were no other material subsequent events undertaken by the Company or by the Group after 31 December 2018.

Management Discussion and Analysis

The Group provides port, waterway and marine engineering business, including infrastructure construction of ports and waterway engineering services.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 November 2018 (the "**Listing Date**") (the "**Listing**").

Industry Overview

Port, waterway and marine engineering work refers to the construction and installation of structures and facilities in river and sea areas. It can be divided into three main segments, namely: (i) port infrastructure; (ii) waterway engineering; and (iii) marine engineering.

As disclosed in the prospectus of the Company dated 30 October 2018, it is projected that the market size of the PRC port, waterway and marine engineering market in terms of revenue will grow from approximately RMB98.8 billion in 2012 to RMB113.6 billion in 2022, indicating a compound annual growth rate ("**CAGR**") of approximately 3.9% from 2012 to 2022 while that of Southeast Asia port is projected to increase from approximately USD7.5 billion in 2012 to approximately USD12.7 billion in 2022, indicating a CAGR of approximately 8.9% from 2012 to 2022. The Chinese state-owned contractors account for approximately 90% market share of the PRC port, waterway and marine engineering market in terms of revenue. As at the end of 2018, there were only 12 non-state-owned contractors in the PRC which have obtained the first-grade general contractor qualification certificate for conducting port, waterway and marine engineering business in the PRC. In terms of revenue in 2017, we are the largest non-state-owned port, waterway and marine engineering company in the PRC and at the same time, we are also the second largest port, waterway and marine engineering company among all Chinese state-owned and non-state-owned companies in Southeast Asia.

Business Review

In 2018, we continued to focus on the construction of port and waterway engineering work, and carried out extensive construction work in coastal areas such as Fujian, Zhejiang, Shanghai, Jiangsu, Shandong and Hebei, and areas along the Yangtze River such as Jiangsu, Anhui and Hubei in the PRC, as well as Brunei, Indonesia and other countries in Southeast Asia.

In 2018, we continued to adhere to the business philosophy of "Scientific Management, People Orientation, Operational Integrity and Social Contribution", the corporate spirit of "Constant pursuit for improvement with accumulating daily progress for the corporate's healthy growth", and the quality policy of "Winning Trust with Quality and Pursuing for Excellence", and strictly implemented standard in regards to ISO 9001: 2015, ISO 14001: 2015 and OHSAS 18001–2007, with a view to drive technological advancement with talents, to occupy the market with quality, and to win customers with reputation, to provide domestic and foreign customers with high-quality engineering construction services for port and waterway engineering work.

Our key advantages and core competitiveness over its competitors:

Advanced qualification. We are one of the few non-state owned enterprises possessing the first-grade general contractor qualification certificate for conducting port, waterway and marine engineering business in the PRC which gives access to main segment markets and allows the Company to compete with the top players in the market.

Differentiation and "Going-out" strategy. We have set clear development strategies to differentiate our competitive advantage against large-scale competitors and is one of pioneers to expand business to Brunei and Indonesia following One Belt One Road Initiative, which has provided the Company with tremendous business opportunities in the Southeast Asian markets.

Management team. We have an experienced and high calibre management team with a proven track record, and our management is more flexible and efficient.

Extensive and strong customer resources. The proven track record and extensive experience have enabled us to build a strong reputation in the industry. Through years of operation, we have established stable business relationship with various leading Chinese state-owned enterprises, public and private companies.

In 2018, our subsequent project and auxiliary building project of Shanghai Wusongkou International Cruise Terminal won the Shanghai Water Transport Quality Engineering Award.

For the year ended 31 December 2018, our revenue was approximately RMB1,489.7 million, representing an annual growth of 5.5% as compared with RMB1,412.0 million for the year ended 31 December 2017.

Future Plans and Prospects

We believe that the future development of the industry in the PRC will mainly be driven by development of specialised wharfs, implementation of land reclamation programme, new energy construction, upgrade and expansion of existing port facilities, large-tonnage ports construction, and development of smart water transport system. At the same time, the economic development in Southeast Asia and the construction of the One Belt One Road Initiative will drive the market demand and infrastructure upgrade of the ports and waterways of Southeast Asian countries. In the face of a growing demand for opening and cooperation, our principal future strategies are as follows:

- Further strengthen our leading market position in the port, waterway and marine engineering industry in the PRC.

- Continue to capture growing business opportunities in Southeast Asia from China's One Belt One Road Initiative and enhance our international reputation; and closely follow and keep up-to-date with phase II of the Brunei PMB Island project, and in particular, actively explore and expand the Southeast Asian markets such as the Indonesian market.

- Continue to focus on operational efficiency, enlarge our scale of operation and recruit talents.

- Pursue strategic cooperation or acquisition to achieve vertical business integration and become an integrated marine engineering service provider.

Financial Review

Revenue

The Group has been operating in core and specialised areas of the port, waterway and marine engineering industry, with port infrastructure as its principal business. Throughout the years, we have gradually expanded our business into the Yangtze River Delta, Pearl River Delta, and Central and North China. In 2016, we also became one of the pioneers in the PRC to set foot in Southeast Asia by branching out to Brunei and Indonesia following China's One Belt One Road Initiative.

In 2018, the Group's main focus was to provide port infrastructure and waterway works and/or services in the PRC and Southeast Asia and to generate revenue from such provision. The Group's revenue from continuing operations was RMB1,489.7 million, representing an increase of approximately 5.5% compared with that of 2017. Revenues from the PRC and Southeast Asia in 2018 were RMB951.9 million and RMB537.8 million, respectively.

The recognition of the Group's revenue largely depends on the progress/phase of the project. The increase in revenue for the year was primary due the successful implementation of our development strategy. The revenue from Southeast Asia increased by 21.3% compared with that of 2017 to RMB537.8 million.

Cost of sales and profits from main operations

Cost of sales in 2018 was RMB1,299.4 million, representing an increase of 3.7% from RMB1,252.8 million in 2017. In 2018, Cost of sales incurred in the PRC and Southeast Asia was RMB855.3 million and RMB444.0 million respectively, representing a decrease of 2.2% and an increase of 17.5% respectively compared with that of the previous year. Cost of sales mainly consists of the cost of used raw materials and consumables, subcontracting costs, direct labour cost and depreciation of property, plant and equipment. In 2018, the cost of raw materials and consumables used and direct labor costs increased by 11.2% and 25.6% respectively, while the cost of subcontracting decreased by 3.8%.

The Group's gross profit from continuing operations increased steadily with the increase in revenue. In 2018, the Group's consolidated profit from main operations was RMB190.3 million, an increase of 19.6% from RMB159.1 million in 2017. The increase mainly came from the gross profit from Southeast Asia which was RMB93.8 million, an increase of 43.1% from RMB65.5 million in 2017.

Operating profit from continuing operations in 2018 was RMB129.9 million, an increase of 12.7% from RMB115.3 million in 2017, mainly due to the growth in gross profit gained from the port infrastructure projects in Southeast Asia.

Administrative expenses

The administrative expenses of the Group in 2018 was RMB51.3 million, representing an increase of 33.2% compared to RMB38.5 million in 2017, primarily due to the increase of RMB15.2 million in the listing expenses of the Company in 2018.

Income tax expense

The Group's income tax expense in 2018 was RMB28.4 million, representing an increase of 9.4% compared to RMB26.0 million in 2017, primarily due to the increase in profit before tax from the PRC and Southeast Asia.

Property, plant and equipment

In 2018, the Group additionally purchased property, plant and equipment of RMB3.9 million, primarily due to the new machinery and equipment purchased for the construction in Indonesia.

Trade and other receivables

The Group's net trade and other receivables increased to RMB1,162.7 million as at 31 December 2018 (as at 31 December 2017: RMB991.3 million), which mainly comprised of progress receivables on projects, receivables on project completion, delivery and settlement, and retention receivables on completed projects. The increase in trade and other receivables in 2018 was mainly due to the increase in progress receivables on projects newly commenced in the PRC and Indonesia in the second half of 2018. The Group has assessed the expected credit losses and has made proper provisions for impairment losses.

Trade and other payables

The Group's trade and other payables increased to RMB1,515.8 million as at 31 December 2018 (as at 31 December 2017: RMB1,122.0 million), mainly from the procurement and subcontracting items for the newly commenced projects were not yet due for payment.

Current assets, capital structure, and gearing ratio

The Group maintained a healthy liquidity position with net current asset balance and net cash of approximately RMB328.9 million (as at 31 December 2017: RMB594.7 million) and RMB385.9 million (as at 31 December 2017: RMB122.3 million), respectively as at 31 December 2018. The Group's gearing ratio (calculating by dividing total liabilities by total assets) as at 31 December 2018 was 74.5% (as at 31 December 2017: 65.7%). The increase in the gearing ratio in 2018 was mainly due to the increase in trade payables for projects newly commenced in the PRC and Indonesia in the second half of 2018. The Group had no bank borrowings in 2018.

Foreign exchange

Operations of the Group are mainly conducted in Chinese Renminbi ("**RMB**"), Hong Kong dollars ("**HK$**"), Brunei dollars ("**BND**"), United States dollars ("**US$**") and Indonesian Rupiahs ("**IDR**") (collectively, "**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 contract entered 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 settlement 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.

In 2018, the Group paid RMB0.7 million for the purchase of machinery and equipment used for construction. As at 31 December 2018, the Group had no major capital commitments.

Use of proceeds

The Group's net proceeds from the Listing were approximately HK$202.9 million. As at the date of this announcement, the utilisation of net proceeds raised by the Group from the Listing is as below,

	Estimated use of proceeds *HK$ millions*	**Utilised up to the date of this announcement** *HK$ millions*
Funding our capital needs and cash flow under our existing projects in the PRC and Southeast Asia	65.5	12.3
Purchasing new vessels and construction equipment	35.7	—
Recruiting talent	13	—
Strategic equity investment	68.8	—
General working capital	19.9	19.9
	202.9	32.2

Material acquisition and disposal of subsidiaries and associates and joint ventures

Since Listing Date and up to 31 December 2018, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Significant investment held

During the year ended 31 December 2018, the Group held no significant investment.

Charges on assets

As at 31 December 2018, the Group had no charges on assets.

Contingent liabilities

As at 31 December 2018, the Group had no significant contingent liabilities.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

Closure of Register of Members

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 18 June 2019, the register of members of the Company will be closed from Thursday, 13 June 2019 to Tuesday, 18 June 2019, both days inclusive, during the period no transfer of shares will be registered. In order to be qualified for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 12 June 2019.

Employees and Remuneration Policies

As at 31 December 2018, the Group had a total of 264 employees. Third Harbor Maritime had a total of 140 employees, PT. Shanghai Third Harbor Benteng Construction and Engineering had a total of 55 employees (including 8 Chinese employees who are appointed by Third Harbor Maritime and have entered into employment contracts with Third Harbor Maritime, and we have purchased the relevant insurance in both China and Indonesia), and Pahaytc & Benteng JV Sdn Bhd had a total of 69 employees (including 13 Chinese employees who are appointed by Third Harbor Maritime, have entered into employment contracts with Third Harbor Maritime, and have purchased the relevant insurance in China). Our employees have been paid remuneration in accordance with relevant laws and regulations in China, Indonesia and Brunei. The Company pays appropriate salary and bonuses with reference to actual practice. Other related benefits include pensions, medical insurance, unemployment insurance and housing allowances.

The 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.

Purchase, Sale or Redemption of Listed Securities

Since the Listing Date and up to 31 December 2018, 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 Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listings of Shares on the Stock Exchange (the "**Listing Rules**") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors of the Company confirms that they have fully complied with the relevant requirements set out in its own code of conduct since the Listing Date and up to 31 December 2018 .

Compliance with 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 the code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Since the Listing Date and up to 31 December 2018, the Company has complied with all applicable code provisions under the CG Code.

Audit Committee

The Audit Committee has discussed with management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018. The figures contained in the financial statements set out in page 3 to 21 of this announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year as approved by the Board.

Publication of Annual Results and Annual Report

This results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.shbt-china.com/. The 2018 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company in due course and will be published on the websites of the Company and the Stock Exchange.

By Order of the Board
Watts International Maritime Engineering Limited
Mr. Wang Shizhong
Chairman

Hong Kong, 27 March 2019

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