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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Watts International Maritime Engineering Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 October 2018 and the interim report of the Company for the six months ended 30 June 2020 (the “**Interim Report**”). Unless otherwise defined, capitalized terms used in this announcement shall have same meanings as those defined in the Prospectus and the Interim Report.

PLANNED USE OF PROCEEDS

The net proceeds from the Share Offer after deducting the underwriting commission and fees and other expenses in relation to the Share Offer were approximately HK\$202.9 million (the “**Net Proceeds**”). As disclosed in the Prospectus, the Company intended to apply the Net Proceeds in for the purpose of, among others:

- (i) approximately 32.3% of the Net Proceeds to be used primarily to fund our capital needs and cash flow under our existing projects in both of the PRC and Southeast Asia (the “**Net Proceeds for Projects**”), namely, (i) Jiangsu Taizhou Port, Jingjiang Port Phase 1 Reconstruction Project (“**Project I**”), and (ii) Wharf Construction Project for Design, Procurement and Construction (Main Contractor) Indonesia SULBAGUT-1 2x50MW (Net) Coal-Fired Power Plant (“**Project II**”), among which, approximately 43.7 million shall be used to fund Project I and approximately 21.8 million shall be used to fund Project II. Both Project I and Project II are port, waterway and marine engineering projects; and

- (ii) approximately 17.6% of the Net Proceeds is expected to be used primarily for purchasing new vessels and construction equipment (the “**Net Proceeds for Vessels and Equipment**”) to undertake more port infrastructure projects as well as to enhance the overall efficiency and profit margin of our wharf construction and waterway engineering projects.

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the Net Proceeds for Projects and the Net Proceeds for Vessels and Equipment is utilised as below:

(HK\$ in million)

	Actual net proceeds allocated for this purpose	Amount utilised up to the date of this announcement	Amount unutilised as at the date of this announcement
Funding our capital needs and cash flow under our existing projects in the PRC and Southeast Asia	65.5	21.3	44.2
Purchasing new vessels and construction equipment	35.7	24.5	11.2

On 17 December 2020, the Board resolved to (i) change the use of the Net Proceeds for Projects 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 Vessels and 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 (collectively, the “**Reallocation**”).

REASONS FOR CHANGE IN USE OF PROCEEDS

(1) Change the use of the Net Proceeds for Projects

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 building. Therefore, the Company is always proactively seeking the opportunities in appropriate markets

and participating in tenders and undertaking contract work for, among others, port, waterway and marine engineering projects. The Group requires funds during the course of construction, such as issuance of performance deposits, subcontracting fees, construction material costs and labour costs, which are generally obtained from different sources such as internal resources and bank borrowings at the early stage of construction period.

As the proceeds reserved for Project II in the Net Proceeds of Projects of has been fully utilised (approximately HK\$21.3 million) while the commencement of Project I, which was originally scheduled at the end of 2018, was significantly delayed. Subsequently in 15 December 2020, the owner of the Project I informed the Company that the Project I was terminated due to the change of transport planning by the local government. The Company did not suffer any material losses from the termination of Project I. As at the date of this announcement, the Net Proceeds for Projects of approximately HK\$44.2 million has not been utilised and has been held in licensed bank.

(2) Change the use of Net Proceeds for Vessels and Equipment

After the Listing, the Company has applied part of the Net Proceeds for Vessels and Equipment to purchase vessels and construction equipment to undertake port infrastructure projects, details are set out as below:-

Type of vessel or construction equipment	Unit(s)	Utilised up to the date of this announcement (HK\$ in million)
Engineering vessels		
Mixer vessel	1	2.62
Semi-submersible barge	1	17.42
Other construction equipment		
Lifting machinery	1	0.06
Concrete machinery	5	4.06
Earthmoving machinery	3	0.34

The Company currently has no urgent need to purchase new vessels and construction equipment as the Company considers that the Group's existing vessels and construction equipment have met the expected project needs. As disclosed in the Prospectus, the maintenance for the Group's vessels and construction equipment is carried out regularly by the Group in accordance with internal standards. Such internal standards are formulated after taking into account the technical, engineering and other specific requirements and procedures set out in the operation manuals of the relevant construction equipment and the actual project progress. The Group regularly conduct check-ups, repair and maintenance on our frequently used construction equipment and vessels depending on their nature and characteristics to prevent any major construction disruption. The Group also perform unscheduled check and maintenance work on the vessels and construction equipment from time to time based on their conditions.

Based on the above, the Board considers the Reallocation will enable the Company to deploy its financial resources more effectively and reduce its finance costs so as to enhance the Group's profitability in the long run and is therefore in the interests of the Group and the shareholders of the Company as a whole.

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

Shanghai, 17 December 2020

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.