

IPO FACT SHEET
Watts International Maritime Engineering Ltd (2258 HK)
ISSUE STATISTICS

Offer Size:	HK\$247.6m – HK\$321.9m
Placement Tranche:	206.350m
Price:	HK\$1.20 – HK\$1.56
Board lot:	2000
Entry fee:	HK\$3,151.44
Historical PE	10.04x – 13.05x
Net tangible asset per share:	HK\$0.59 – HK\$0.67
Market Cap (post-IPO):	HK\$990.5m – HK\$1,287.6m
Open:	30 Oct 2018
Close:	12.00 noon on 6 Nov 2018
Trading:	19 Nov 2018
Sponsor:	Orient Capital (Hong Kong) Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2016	1,263,785	12.4%
2017	1,411,968	11.7%
Total comprehensive income for the year/period attributable to owners of their Company		
2016	74,845	17.4%
2017	87,101	16.4%

BACKGROUND

- They are the largest non-state-owned port, waterway and marine engineering company in the PRC in terms of revenue according to Frost & Sullivan.
- They are also currently one of the only twelve non-state-owned enterprises in the PRC that possesses the first-grade general contractor qualification certificate granted by MOHURD for conducting port, waterway and marine engineering business in the PRC.
- According to Frost & Sullivan, Chinese state-owned enterprises account for over 90% of the market share of the PRC port, waterway and marine engineering industry. They ranked ninth in the whole port, waterway and marine engineering industry in the PRC and they were also the second largest port, waterway and marine engineering company among all Chinese state-owned and non-state-owned companies in Southeast Asia, both in terms of revenue in 2017.
- They have been operating in core and specialised areas of the PRC port, waterway and marine engineering industry, primarily focusing on port infrastructure and waterway engineering.
- Throughout the years, they have gradually expanded their business to certain regions including Yangtze River Delta, Pearl River Delta, central and northern China. In 2016, they also became one of the pioneers in the PRC to set foot in Southeast Asia by expanding their business in Brunei and Indonesia, following China's Belt and Road Initiative.

BUSINESS STRATEGY AND FUTURE PLANS

- Further strengthen their leading market position in the port, waterway and marine engineering industry in the PRC.
- Continue to capture increased business opportunities in Southeast Asia from China's Belt and Road Initiative and enhance their international reputation.
- Continue to focus on operational efficiency, enlarge their scale of operation and recruit talents.
- Pursue strategic investment to achieve vertical business integration and become an integrated marine engineering service provider.

COMPETITIVE STRENGTHS

- They are the largest non-state-owned port, waterway and marine engineering company in the PRC and second largest port, waterway and marine engineering company among all Chinese state-owned and non-state-owned companies in Southeast Asia, possessing the first-grade general contractor qualification certificate for conducting port, waterway and marine engineering business in the PRC.
- They are well-positioned to capture opportunities in overseas markets.
- They have an experienced and high calibre management team with a proven track record.
- They are able to manage and conduct their operation in a centralised and effective manner with the support of stable raw material suppliers and subcontractors.
- Their customer-oriented strategy has enabled them to develop a strong customer base.
- They have the ability to construct specialised wharfs.

KEY RISKS

- Their performance is dependent on the general economic conditions and policies of the port, waterway and marine engineering industry in the PRC, especially the policies on public spending on transportation infrastructure projects.
- Their customers pay them by way of progress payments and require performance deposit and retention money, and any delay in progress payments or release of performance deposit and retention money may affect their working capital and cash flow.
- Their business operates under various permits, licences and/or qualifications and the loss of or failure to obtain or renew any or all of these permits or licences may materially and adversely affect their business, results of operations and financial condition.
- Their future gross profit and gross profit margins largely depend on their projects on hand and their ability to secure future sizeable and profitable port infrastructure and waterway engineering projects, and failure to secure these projects may materially and adversely affect their business, results of operations and financial condition.
- Geopolitical risks may materially and adversely affect their business in countries where they operate, especially the Southeast Asian countries.

DIVIDEND POLICY

- No fixed dividend policy

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
To be used primarily to fund their capital needs and cash flow under their existing projects in the PRC and Southeast Asia.	76.00	32.3%
To be used primarily for purchasing new vessels and construction equipment to undertake more port infrastructure projects as well as to enhance the overall efficiency and profit margin of their wharf construction and waterway engineering projects.	41.00	17.6%
To be used primarily for the recruitment of additional high quality comprehensive talent equipped with extensive port construction knowledge and working experience for both of their operation in the PRC and Southeast Asia.	15.00	6.4%
To be used primarily for strategic equity investment into small to medium-sized design institute or research and development centre focusing on port, waterway and marine engineering industry to achieve vertical business integration and enhance their integrated service capabilities	80.00	33.9%
To be used primarily to fund their working capital and for general corporate purposes.	23.00	9.8%
Total:	235.00	100.00%

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