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 REPORT

2019

CONTENTS

Corporate Information

Directors

Executive directors

Mr. Wang Xiuchun (王秀春) *(Chairman)*
Mr. Wang Shizhong (王士忠)
Ms. Wan Yun (萬雲) *(Chief executive officer)*
Mr. Wang Lijiang (王利江)
(Joint company secretary)
Ms. Olive Chen

Independent non-executive directors

Mr. Sun Dajian (孫大建)
Mr. How Sze Ming (侯思明)
Mr. Wang Hongwei (王洪衛)

Audit committee

Mr. Sun Dajian (孫大建) *(Chairman)*
Mr. How Sze Ming (侯思明)
Mr. Wang Hongwei (王洪衛)

Remuneration committee

Mr. How Sze Ming (侯思明) *(Chairman)*
Mr. Sun Dajian (孫大建)
Mr. Wang Hongwei (王洪衛)

Nomination committee

Mr. Wang Hongwei (王洪衛) *(Chairman)*
Mr. Sun Dajian (孫大建)
Mr. How Sze Ming (侯思明)

Joint company secretaries

Mr. Wang Lijiang (王利江)
Mr. Wong Yu Kit (黃儒傑)
(resigned with effect from 28 August 2019)
Ms. Zhang Xiao (張瀟)
(appointed with effect from 28 August 2019)

Authorised representatives

Ms. Wan Yun (萬雲)
Mr. Wang Lijiang (王利江)
(resigned with effect from 28 August 2019)
Ms. Zhang Xiao (張瀟)
(appointed with effect from 28 August 2019)

Registered address in the Cayman Islands

4th Floor, Harbour Place,
103 South Church Street,
PO Box 10240,
Grand Cayman, KY1-1002,
Cayman Islands

Principal place of business and headquarters in the PRC

5/F, Tower 17
2816 Yixian Road
Baoshan District, Shanghai, the PRC

Principal place of business in Hong Kong

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

Auditor

PricewaterhouseCoopers
22/F, Prince's Building, Central, Hong Kong

Legal adviser as to Hong Kong law

Eversheds Sutherland
37/F, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

Compliance adviser

Orient Capital (Hong Kong) Limited
Rooms 1, 1A, 6–8, 27/F & Rooms 2803–07, 28/F
Wing On House, 71 Des Voeux Road Central
Central, Hong Kong

Principal share registrar and transfer office

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place,
103 South Church Street,
PO Box 10240,
Grand Cayman, KY1-1002,
Cayman Islands

Hong Kong share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal banks

Bank of Communications,
Shanghai Sanmenlu Sub-branch
Bank of Communications Co., Ltd.
Hong Kong Branch

Company's website

www.shbt-china.com

Stock code

2258

Market Review

Port, waterway and marine engineering work refer 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.

In recent years, China's coastal ports are generally adapted to the development of the national economy and will enter a moderately leading stage. Against the background of slower growth in demand for transport, the construction of the coastal port infrastructure has been slowed down, and the coastal ports have entered a new stage of accelerating the expansion of functions and achieving the improvement in quality and efficiency. At the same time, the strategy of Yangtze River Economic Zone and the concept of green transportation development have been further deepened, domestic ports have been continuously integrated, and the development of inland waterways has been sped up significantly.

With the continuous deepening of the Belt and Road Initiative, the economy of Southeast Asia where Brunei and Indonesia are located will be further developed, and the demand for port and waterway construction will grow steadily.

Business Review

In the first half of 2019, the Company's business continued to develop steadily, and its projects in China and Southeast Asia were steadily carried out.

A breakdown of the Group's revenue by geographic location and segment for the six months ended 30 June 2019 (the "**Reporting Period**") is set out in the table below:

	Revenue recognised for the Reporting Period *(RMB in million)*	**Contribution to total revenue**
Mainland China		
Maritime and ports infrastructure	286.1	61%
Waterway and other engineering	65.7	14%
Southeast Asia		
Maritime and ports infrastructure	117.5	25%
Total	469.3	100%

Future Plans and Prospects

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, development of smart water transport system and construction of inland waterways. At the same time, the economic development in Southeast Asia and the construction of the Belt and Road Initiative will vigorously drive the market demand and infrastructure upgrade of the ports and waterways of Southeast Asian countries and the demand for opening and cooperation will be more and more. In this regard, the Group will further strengthen our leading market position in the port and waterway industry in the PRC, focusing on the development of markets in the circum-Bohai-sea region, Yangtze River Delta region, Guangdong-Hong Kong-Macao region, Hainan-Guangxi economic belt and the construction of China's inland waterways; the Group will continue to follow the Belt and Road Initiative to proactively exploit overseas markets, especially the Indonesian market, and strive to expand its share in the Indonesian market.

The Company has been operating in core and specialised areas of the PRC port, waterway and marine engineering industry, primarily focusing on maritime and ports infrastructure and waterway and other engineering. At the same time, the Company also continues to pay attention to the market changes in the entire construction industry, looking for opportunities in the specialised areas and related construction industry to expand the Company's revenue and contribute more benefits to the shareholders of the Company (the "**Shareholders**"). As China enters a new stage of transformation of both urbanization and urban development, urban construction has entered a period of rapid development, which has put forward higher requirements for urban infrastructure construction, and the construction of inland rivers has also driven the growth of development. Based on its core professional advantages, the Group is actively expanding the businesses of urban river docks, waterside platforms, landscape platforms, river dredging, etc. At the same time, relying on regional advantages, and the development of the Yangtze River Delta urban agglomeration, the Group is optimistic about the opportunities arising from the 2022 Hangzhou Asian Games, and is actively seeking related homogenous construction development area with synergistic benefits. The Group believes that this area will render significant opportunities in the future, and the Company is still closely watching.

Financial Overview

Revenue

The Group has been operating in core and specialised areas of the port, waterway and marine engineering industry, with maritime and ports infrastructure and waterway and other engineering as its principal business. Throughout the years, we have gradually expanded our business into the Yangtze River Delta, Pearl River Delta, and Central and Northern 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 Belt and Road Initiative.

In the first half of 2019, the Group's main focus was to provide maritime and ports infrastructure and waterway and other engineering 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 RMB469.3 million, representing an increase of approximately 4.8% from RMB447.8 million in the first half of 2018. Revenues from the PRC and Southeast Asia in the first half of 2019 were RMB351.8 million and RMB117.5 million, respectively. The recognition of the Group's revenue largely depends on the progress/phase of the project. The increase in revenue for the first half of 2019 was primary due to the successful implementation of our development strategy in China's market by extending from offshore engineering to onshore engineering construction services. The revenue from the PRC increased by 69.5% compared with that of the first half of 2018 to RMB351.8 million.

Cost of sales and profits from main operations

Cost of sales in the first half of 2019 was RMB407.0 million, representing an increase of 5.7% from RMB385.0 million in the first half of 2018. In the first half of 2019, cost of sales incurred in the PRC and Southeast Asia was RMB312.4 million and RMB94.7 million respectively. 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 the first half of 2019, the cost of raw materials and consumables used and subcontracting costs amounted to RMB260.4 million and RMB120.3 million respectively, representing an increase of 12.4% and a decrease of 6.1% from that in the first half of 2018, respectively. The Group's profit from main operations generated from continuing operations largely depends on the location and composition of the project. In the first half of 2019, the Group's consolidated profit from main operations was RMB62.3 million, a decrease of 0.8% from RMB62.8 million in the first half of 2018. It mainly came from the gross profit from the PRC which was RMB39.4 million, an increase of RMB20.2 million from RMB19.2 million in the first half of 2018, and the gross profit from Southeast Asia which was RMB22.9 million, a decrease of RMB20.7 million from RMB43.6 million in the first half of 2018.

Operating profit from continuing operations in the first half of 2019 was RMB38.3 million, representing a decrease of 5.0% from RMB40.3 million in the first half of 2018, mainly due to RMB9.3 million of provision for impairment of financial assets, representing an increase of RMB5.0 million from that in the first half of 2018.

Administrative expenses

The administrative expenses in the first half of 2019 was RMB17.1 million, representing a decrease of 20.5% compared to RMB21.5 million in the first half of 2018, primarily due to RMB6.6 million of provision for the listing expenses in the first half of 2018.

Income tax expense

The Group's income tax expense in the first half of 2019 was RMB2.5 million, representing a decrease of 67.1% compared to RMB7.6 million in the first half of 2018, primarily due to super-deduction of Research and Development expenses of the Group.

Trade and other receivables

The Group's net trade and other receivables increased to RMB1,320.8 million as of 30 June 2019 (as of 31 December 2018: RMB1,162.7 million), which mainly comprised of progress receivables on projects, receivables on project completion, delivery and settlement, and retention receivables on completed projects. The main reason for increase of trade and other receivables in the first half of 2019 was that contract assets were transferred to trade and other receivables upon the completion of some projects. The Group's net contract assets decreased by RMB181.7 million to RMB270.8 million as at 30 June 2019 from RMB452.5 million as at 31 December 2018.

Trade and other payables

The Group's trade and other payables increased to RMB1,536.1 million as at 30 June 2019 (as at 31 December 2018: RMB1,515.8 million), mainly because the procurement and subcontracting items for the newly commenced projects were not yet due for payment.

Bank borrowings

The Group held RMB20.0 million of short-term bank credit borrowings as at 30 June 2019 (31 December 2018: Nil).

Current assets, capital structure, and gearing ratio

The Group maintained a healthy liquidity position with net current asset and net cash of approximately RMB445.1 million (as of 31 December 2018: RMB328.9 million) and RMB457.2 million (as of 31 December 2018: RMB385.9 million), respectively as at 30 June 2019. The Group's gearing ratio (calculating by dividing total liabilities by total assets) as at 30 June 2019 was 73.5% (as of 31 December 2018: 74.5%). The gearing ratio in the first half of 2019 slightly decreased.

Charges on assets

As of 30 June 2019, the Group had no charges on assets.

Foreign exchange

Operations of the Group are mainly conducted in Chinese Renminbi ("**RMB**"), Hong Kong dollars ("**HK$**"), Brunei dollars ("**BN$**"), 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 the first half of 2019, the Group paid RMB2.5 million for the purchase of machinery and equipment used for construction. As of 30 June 2019, the Group had no major capital commitments.

Contingent liabilities

As of 30 June 2019, the Group had no contingent liabilities.

Material acquisition and disposal of subsidiaries, associates and joint ventures

As of 30 June 2019, the Group had no material investments, acquisition and disposal.

Significant investment held

As of 30 June 2019, the Group held no significant investment.

Use of Proceeds

The Group's net proceeds from the Listing were approximately HK$202.9 million. As at 30 June 2019, the utilisation of net proceeds raised by the Group from the Listing is as below:

(HK$ in million)

	Estimated use of proceeds	Utilised up to 30 June 2019	Unutilised up to 30 June 2019	Expected timeline for utilisation of the unutilised net proceeds *(Note)*
Funding our capital needs and cash flow under our existing projects in the PRC and Southeast Asia	65.5	21.3	44.2	December 2021 or before
Purchasing new vessels and construction equipment	35.7	2.1	33.6	December 2020 or before
Recruiting talent	13.0	1.2	11.8	December 2021 or before
Strategic equity investment	68.8	—	68.8	December 2020 or before
General working capital	19.9	19.9	—	—
	202.9	44.5	158.4	

Note: 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.

During the six months ended 30 June 2019, 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, and there was no material change or delay in the use of proceeds.

Interim Dividend

The Board resolved the declaration of an interim dividend of HK1.2 cents (equivalent to approximately RMB1.1 cents) per ordinary share, totalling HK$9.9 million (equivalent to approximately RMB8.9 million), for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil) payable on Monday, 28 October 2019 to the Shareholders whose names appear on the register of members of the Company on Monday, 16 September 2019.

Closure of Register of Members

For determining the entitlement of the Shareholders to the interim dividend, the register of members of the Company will be closed from Thursday, 12 September 2019 to Monday, 16 September 2019, both days inclusive, during which period no transfer of shares shall be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office 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, 11 September 2019.

Employees and Remuneration Policies

As at 30 June 2019, the Group had a total of 257 employees. Shanghai Third Harbor Benteng Maritime Engineering Co., Ltd. ("**Third Harbor Maritime**") had a total of 138 employees, PT. Shanghai Third Harbor Benteng Construction and Engineering had a total of 83 employees (including 15 Chinese employees who are appointed by Third Harbor Maritime. They have entered into employment contracts with Third Harbor Maritime, and we have purchased the relevant insurance for them in both China and Indonesia), and Pahaytc & Benteng JV Sdn Bhd had a total of 36 employees (including 8 Chinese employees who are appointed by Third Harbor Maritime. They have entered into employment contracts with Third Harbor Maritime, and we have purchased the relevant insurance for them 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 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.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 30 June 2019, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Shares held	Shareholding percentage (%) in the Shares
Mr. Wang Xiuchun (王秀春)[3]	Interest held jointly with another person	419,792,836	50.86
Mr. Wang Shizhong (王士忠)[3]	Interest in a controlled corporation	315,467,967	38.22
	Interest held jointly with another person	104,324,869	12.64
Ms. Olive Chen[4]	Interest in a controlled corporation	55,714,444	6.75

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of 825,400,000 Shares in issue as at 30 June 2019.

3. HuaZi Holding Limited is beneficially and wholly owned by Mr. Wang Shizhong (王士忠). By virtue of the SFO, Mr. Wang Shizhong is deemed to be interested in the 315,467,967 Shares held by HuaZi Holding Limited.

   Ye Wang Zhou Holding Limited which holds 104,324,869 Shares, is owned as to 46.76%, 32.40%, 8.10%, 7.34% and 5.40% by Mr. Ye Kangshun (葉康舜), Mr. Wang Xiuchun (王秀春), Ms. Zhou Meng (周萌), Mr. Wang Shiqin (王士勤) and Mr. Wang Likai (王利凱), respectively. Pursuant to the acting-in-concert confirmation dated 22 August 2004 entered into among Mr. Wang Shizhong (王士忠), Mr. Ye Kangshun (葉康舜), Mr. Wang Xiuchun (王秀春), Ms. Zhou Meng (周萌) and Mr. Wang Shiqin (王士勤) (as supplemented by another acting-in-concert confirmation dated 25 May 2018 entered into among the same parties and Mr. Wang Likai (王利凱)), they have acknowledged and confirmed, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) (the "**Acting-in-concert Confirmation**"). As such, Mr. Wang Shizhong (王士忠) and Mr. Wang Xiuchun (王秀春) are deemed to be interested in each other's interest in the Shares.

4. Worldlink Resources Limited is beneficially and wholly-owned by Ms. Olive Chen. Therefore, Ms. Olive Chen is deemed to be interested in the 55,714,444 Shares held by Worldlink Resources Limited.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations which would have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2019, so far as is known to the Directors, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the Directors and the chief executives of the Company) or companies had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares	Shareholding percentage (%) in the Shares
HuaZi Holding Limited (3)(6)	Beneficial Owner	315,467,967	38.22
Ye Wang Zhou Holding Limited(4)(5)	Beneficial Owner	104,324,869	12.64
Mr. Ye Kangshun (葉康舜)(3)(4)(5)(6)	Interest in a controlled corporation	104,324,869	12.64
	Interest held jointly with another person	315,467,967	38.22
Ms. Zhou Meng (周萌)(3)(4)(5)(6)	Interest held jointly with another person	419,792,836	50.86
Mr. Wang Shiqin (王士勤)(3)(4)(5)(6)	Interest held jointly with another person	419,792,836	50.86
Mr. Wang Likai (王利凱)(3)(4)(5)(6)	Interest held jointly with another person	419,792,836	50.86
HZ&BT Development Holding Limited	Beneficial Owner	143,542,720	17.39
Worldlink Resources Limited	Beneficial Owner	55,714,444	6.75

Notes:

1. All interests stated are long positions.
2. The calculation is based on the total number of 825,400,000 Shares in issue as at 30 June 2019.
3. HuaZi Holding Limited is beneficially and wholly owned by Mr. Wang Shizhong (王士忠). By virtue of the SFO, Mr. Wang Shizhong (王士忠) is deemed to be interested in the Shares held by HuaZi Holding Limited.
4. Pursuant to the Acting-in-concert Confirmation, Mr. Wang Shizhong (王士忠), Mr. Ye Kangshun (葉康舜), Mr. Wang Xiuchun (王秀春), Ms. Zhou Meng (周萌), Mr. Wang Shiqin (王士勤) and Mr. Wang Likai (王利凱) have acknowledged and confirmed, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code). As such, each of them is deemed to be interested in each other's interest in the Shares.
5. Ye Wang Zhou Holding Limited is owned as to 46.76%, 32.40%, 8.10%, 7.34% and 5.40% by Mr. Ye Kangshun (葉康舜), Mr. Wang Xiuchun (王秀春), Ms. Zhou Meng (周萌), Mr. Wang Shiqin (王士勤) and Mr. Wang Likai (王利凱), respectively.
6. By virtue of the Acting-in-concert Confirmation, each of Mr. Wang Shizhong (王士忠), Mr. Ye Kangshun (葉康舜), Mr. Wang Xiuchun (王秀春), Ms. Zhou Meng (周萌), Mr. Wang Shiqin (王士勤) and Mr. Wang Likai (王利凱) is deemed to be interested in the Shares held by HuaZi Holding Limited and Ye Wang Zhou Holding Limited.

Save as disclosed above, as at 30 June 2019, none of the Directors of the Company was aware of that any persons (other than Directors or chief executives of the Company) or companies had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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.

Share Option Scheme

The Company adopted a share option scheme pursuant to the written resolutions of the then Shareholders on 19 October 2018, which enabled the Company to grant share options to the eligible persons as an incentive and reward for their best contribution to the Group. No share options have been granted, exercised, cancelled or lapsed since then and as of 30 June 2019.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") 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 confirm that they have fully complied with the relevant requirements set out in the Model Code during the Reporting Period.

Change in Directors' Information

Mr. Wang Lijiang, an executive Director and joint company secretary of the Company, resigned as an authorized representative of the Company under the Listing Rules with effect from 28 August 2019.

Save as disclosed above, there is no other change in the Director's information, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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. The Company has complied with all applicable code provisions under the CG Code during the Reporting Period.

Review of Interim Report by Audit Committee

The audit committee of the Company has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 and has no disagreement with the accounting policies adopted by the Company.

By order of the Board

Watts International Maritime Engineering Limited
Wang Xiuchun (王秀春)
Chairman and Executive Director

28 August 2019

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 Unaudited RMB'000	2018 Unaudited RMB'000
Revenue	6	**469,319**	447,793
Cost of sales	6	**(407,046)**	(385,007)
Gross profit		**62,273**	62,786
Selling and distribution expenses		**(1,403)**	(1,346)
Administrative expenses		**(17,117)**	(21,469)
Net impairment losses on financial assets	4.1(b)	**(9,308)**	(4,306)
Other operating expenses		**(76)**	(290)
Other income		**3,118**	2,364
Other gains — net		**765**	2,542
Operating profit	7	**38,252**	40,281
Finance income		**25**	343
Finance costs		**(608)**	(165)
Finance (costs)/income — net		**(583)**	178
Profit before income tax		**37,669**	40,459
Income tax expense	8	**(2,460)**	(7,625)
Profit for the period and attributable to the Shareholders		**35,209**	32,834
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**1,839**	(250)
Other comprehensive income for the period net of tax		**1,839**	(250)
Total comprehensive income for the period attributable to the Shareholders of the Company		**37,048**	32,584
Earnings per share for profit attributable to the Shareholders of the Company (expressed in RMB cents per share):			
— Basic earnings per share	9	**4.27**	5.30
— Diluted earnings per share	9	**4.27**	5.30

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Financial Position

For the six months ended 30 June 2019

	Note	**30 June 2019 Unaudited *RMB'000***	31 December 2018 Audited *RMB'000*
ASSETS			
Non-current assets			
Contract assets	6	**76,111**	182,635
Property, plant and equipment	10	**70,569**	75,917
Right-of-use assets		**397**	—
Intangible assets		**555**	489
Trade and other receivables	11	**11,241**	1,965
		158,873	261,006
Current assets			
Contract assets	6	**194,659**	269,905
Inventories		**14,450**	12,113
Trade and other receivables	11	**1,309,550**	1,160,689
Restricted cash	12	**13,521**	77
Cash and cash equivalents	12	**457,150**	385,890
		1,989,330	1,828,674
Total assets		**2,148,203**	2,089,680
EQUITY			
Capital and reserves			
Share capital	13	**7,303**	7,303
Share premium		**322,551**	322,551
Other reserves		**14,715**	12,876
Retained earnings		**224,694**	189,485
Total equity		**569,263**	532,215

Condensed Consolidated Interim Statement of Financial Position

For the six months ended 30 June 2019

	Note	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	14	28,357	48,457
Deferred tax liabilities		6,393	9,258
		34,750	57,715
Current liabilities			
Borrowings	15	20,000	—
Trade and other payables	14	1,507,721	1,467,366
Current income tax liabilities		7,526	27,623
Contract liabilities	6	8,745	4,761
Lease liabilities		198	—
		1,544,190	1,499,750
Total liabilities		1,578,940	1,557,465
Total equity and liabilities		2,148,203	2,089,680

The above condensed consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2019

		Attribute to the Shareholders				
	Note	**Share capital Unaudited** *RMB'000*	**Share premium Unaudited** *RMB'000*	**Other reserves Unaudited** *RMB'000*	**Retained earnings Unaudited** *RMB'000*	**Total Unaudited** *RMB'000*
Balance at 1 January 2018		8	—	119,870	487,618	607,496
Comprehensive income						
Profit for the period		—	—	—	32,834	32,834
Other comprehensive income						
Currency translation differences		—	—	(250)	—	(250)
Total comprehensive income		—	—	(250)	32,834	32,584
Transactions with shareholders						
Distribution to shareholders		—	—	(122,440)	—	(122,440)
Contribution from shareholders	13	—	123,124	8,725	—	131,849
Balance at 30 June 2018		8	123,124	5,905	520,452	649,489
Balance at 1 January 2019		**7,303**	**322,551**	**12,876**	**189,485**	**532,215**
Comprehensive income						
Profit for the period		**—**	**—**	**—**	**35,209**	**35,209**
Other comprehensive income						
Currency translation differences		**—**	**—**	**1,839**	**—**	**1,839**
Total comprehensive income		**—**	**—**	**1,839**	**35,209**	**37,048**
Balance at 30 June 2019		**7,303**	**322,551**	**14,715**	**224,694**	**569,263**

The above condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 Unaudited RMB'000	2018 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		**78,752**	56,795
Income tax paid		**(25,423)**	(720)
Net cash generated from operating activities		**53,329**	56,075
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,498)**	(67)
Purchase of intangible assets		**(176)**	(220)
Purchase of financial assets at fair value through profit or loss		**—**	20,215
Net increase of amounts due from shareholders		**—**	(60,378)
Net cash used in investing activities		**(2,674)**	(40,450)
Cash flows from financing activities			
Contribution from shareholders		**—**	131,849
Proceeds from borrowings	15	**20,000**	—
Distribution to shareholders relating to novation of Reorganisation		**—**	(122,440)
Net cash generated from financing activities		**20,000**	9,409
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		**385,890**	122,264
Effects of exchange rate changes on cash and cash equivalents		**605**	48
Cash and cash equivalents at the end of the period		**457,150**	147,346

The above condensed consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION AND REORGANISATION

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 (together, "**the Group**") provide port, waterway and marine engineering business, including infrastructure construction of maritime and ports and waterway and other engineering services. 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.

Pursuant to the group reorganisation as set out in the section headed "Reorganisation" in the Company's annual report for the year ended 31 December 2018 (the "**Reorganisation**"), the Company became the holding company of its subsidiaries now comprising the Group.

The Company has its share listed on the Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information of the Group has been prepared as if the Group had always been in existence throughout both periods presented, or since the respective dates of incorporation or establishment of the group companies.

The condensed consolidated interim financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated, and was approved for issue by the Board of Directors (the "**Board**") on 28 August 2019.

The condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial report for the reporting period ended 30 June 2019 has been prepared in accordance with Accounting Standard HKAS 34 *Interim Financial Reporting*.

The condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public 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 and 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 and the Group had to change its accounting policies as a result of adopting HKFRS 16 *Leases*.

2 BASIS OF PREPARATION (Continued)

(a) New and amended standards adopted by the Group (Continued)

The impact of adopting of the leasing standard and the new accounting policies are disclosed in note 3 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New and amended standards not adopted by the Group

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 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
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

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 3(b) below.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.35%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	2,740
Less:	
Short-term leases recognised on a straight-line basis as expense	(2,134)
	606
Discounted using the lessee's incremental borrowing rate of at the date of initial application:	
Lease liability recognised as at 1 January 2019	**601**
Of which are:	
Current lease liabilities	**403**
Non-current lease liabilities	**198**
	601

The right-of-use assets were measured at the amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of assets:

	30 June 2019 ***RMB'000***	1 January 2019 *RMB'000*
Properties	**397**	601

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets — increase by RMB601,000
- Lease liabilities (current portion) — increase by RMB403,000
- Lease liabilities (non-current portion) — increase by RMB198,000

3 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

There was no impact on retained earnings on 1 January 2019.

(i) Impact on segment disclosures and profit

The executive directors have determined that no segment information is presented as no material segment information are affected by the change in policy.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 *Determining whether an Arrangement contains a Lease*.

(b) The Group's leasing activities and how these are accounted for

The Group leases different properties and equipments. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) The Group's leasing activities and how these are accounted for (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There has been no change in the risk management policies approved by the board of directors since year end.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group entities collect most of the revenue and incur most of the expenditures in respect of their functional currencies. Foreign exchange risk arises from various currency exposures primarily through proceeds received from customers and shareholders, and payments to the suppliers that are denominated in a currency other than the Group's entities' functional currency. The currencies giving rise to this risk are primarily US dollar ("**US$**") and Brunei dollar ("**BN$**"), as certain purchase and sales of the Group is denominated in US$ and BN$. The Group also has certain amounts cash and bank balances denominated in HK dollar ("**HK$**") and US$, which are exposed to foreign currency translation risk. The management of the Group considers that the Group's exposure to foreign currency exchange risk is not significant due to most of the functional currency of the entities in Group is the same as the transaction currency.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At 30 June 2019, if RMB had strengthened/weakened by 5% against the US$, BN$ and HK$ with all other variables held constant, the total profit for the period ended 30 June 2019 would have been RMB11,210,000 lower/higher (period ended 30 June 2018: RMB46,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of US$, BN$ and HK$ denominated cash and cash equivalents, trade and other receivables and trade and other payables.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than bank deposits. The Group has not used any financial instrument to hedge its exposure to cash flow and fair value interest rate risks.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from restricted cash, cash and cash equivalents, trade and other receivables and contract assets. The carrying amounts of each class of these financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management

To manage the risk with respect to cash and cash equivalents and restricted cash, the Group placed them in banks with highly reputation.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available, reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customers' ability to meet its obligations
- actual or expected significant changes in the operating results of customers
- significant increases in credit risk on other financial instruments of customers
- significant changes in the expected performance and behaviour of customers, including changes in the payment status of customers in the Group and changes in the operating results of the customers.

(ii) Impairment of financial assets

The Group has several types of financial assets that are subject to the expected credit loss model, while they have no significant impact on the financial statements, except for the following ones:

- Trade and retention receivables from providing maritime construction service
- Contract assets relating to maritime construction contracts.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables, retention receivables and contract assets.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

To measure the expected credit losses, trade receivables, retention receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

For trade and retention receivables, the Group performs ongoing credit evaluations of its debtors' financial condition and does not require collateral from the debtors on the outstanding balances. The customers of certain long ageing trade and retention receivables are related to some large projects with duration over one year. Since these customers have strong financial ability with low credit risk, and historically and subsequently, there was rare actual default for these receivables. As at 30 June 2019 and 31 December 2018, the Group has assessed that the expected loss rate for such trade and retention receivables was immaterial. No loss allowance provision for trade receivables, retention receivables and contract assets of approximately RMB21,111,000 and RMB302,216,000 relating to such customers was recognised as at 30 June 2019 and 31 December 2018.

Contract assets relate to unbilled work in progress which have substantially the same risk characteristics as the trade receivables for the same types of contract. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Since the contract assets are still in performing and the payment is not due, the expected loss rate of contract assets is assessed to be 0.51% (2018: 0.53%) which is the same as that of trade receivables past due up to one year. As at 30 June 2019 and 31 December 2018, the loss allowance for provision for contract assets was approximately RMB1,389,000 and RMB2,405,000.

Individually impaired trade receivables and retention receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the entire amounts of the receivables will have difficulty to be recovered and has recognised impairment losses. The fair value of individually impaired trade receivables and retention receivables were nil. For the six months ended 30 June 2019, no individually impaired trade and retention receivables were identified (2018: Nil).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

To measure the expected credit losses of the remaining trade and retention receivables, trade receivables and retention receivables have been considered on credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2019 and 31 December 2018 is determined as follows, the expected credit losses below also incorporated forward-looking information.

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Trade receivables					
At 30 June 2019 (unaudited)					
Expected loss rate	0.51%	1.26%	6.25%	28.66%	
Gross carrying amount (excluding receivables assessed individually)	667,576	280,304	46,666	35,307	1,029,853
Loss allowance provision	3,395	3,531	2,918	10,117	19,961
Impact on allowance provision relating to novation of Reorganisation	(747)	(966)	(220)	(1,009)	(2,942)
Total loss allowance provision	2,648	2,565	2,698	9,108	17,019

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Retention receivables					
At 30 June 2019 (unaudited)					
Expected loss rate	0.95%	1.13%	1.91%	6.08%	
Gross carrying amount (excluding receivables assessed individually)	87,657	67,318	33,922	19,949	208,846
Loss allowance provision	829	760	647	1,214	3,450
Impact on allowance provision relating to novation of Reorganisation	(811)	(707)	(645)	(1,042)	(3,205)
Total loss allowance provision	18	53	2	172	245

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

	Within 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Trade receivables					
At 31 December 2018 (audited)					
Expected loss rate	0.53%	1.41%	8.03%	29.16%	
Gross carrying amount (excluding receivables assessed individually)	381,387	299,997	20,666	6,290	708,340
Loss allowance provision	2,016	4,231	1,660	1,834	9,741
Impact on allowance provision relating to novation of Reorganisation	(1,493)	(440)	(714)	(295)	(2,942)
Total loss allowance provision	523	3,791	946	1,539	6,799

	Within 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Retention receivables					
At 31 December 2018 (audited)					
Expected loss rate	2.03%	2.23%	3.80%	12.89%	
Gross carrying amount (excluding receivables assessed individually)	6,033	88,975	8,887	6,968	110,863
Loss allowance provision	122	1,983	338	899	3,342
Impact on allowance provision relating to novation of Reorganisation	(1,352)	(665)	(732)	(456)	(3,205)
Total loss allowance provision	(1,230)	1,318	(394)	443	137

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) Impairment of financial assets (Continued)

The loss allowance provision for trade receivables, retention receivables and contract assets as at 30 June 2019 and 31 December 2018 reconciles to the opening loss allowance for that provision is as follows:

	Trade receivables Unaudited *RMB'000*	Retention receivables Unaudited *RMB'000*	Contract assets Unaudited *RMB'000*	Total Unaudited *RMB'000*
At 1 January 2018	24,667	22,635	660	47,962
Provision for loss allowance recognised in condensed consolidated interim statement of comprehensive income	3,904	227	175	4,306
Net-off impact relating to novation of Reorganisation				
— individually impaired	(21,725)	(19,430)	—	(41,155)
— collectively impaired	(2,942)	(3,205)	—	(6,147)
At 30 June 2018	3,904	227	835	4,966
At 1 January 2019	**6,799**	**137**	**2,405**	**9,341**
Provision for/(reversal of) loss allowance recognised in condensed consolidated interim statement of comprehensive income	**10,220**	**108**	**(1,020)**	**9,308**
Currency translation differences	**—**	**—**	**4**	**4**
At 30 June 2019	**17,019**	**245**	**1,389**	**18,653**

The Group adopts general approach for expected credit losses of other receivables and considers it has not significant increased in credit risk from initial recognition. Thus, it is still in stage one and only consider 12-month expected credit losses.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group considered counter parties having a low risk of default and a strong capacity of to meet contractual cash flow as performing. The directors of the Company believe that there is no material credit risk in the Group's outstanding balance of other receivable.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) Impairment of financial assets (Continued)

Net impairment losses on financial and contract assets recognised in profit or loss

During the six months ended 30 June 2019 and 2018, the following losses were recognised in profit or loss in relation to impaired financial assets:

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Impairment losses		
— movement in loss allowance for trade receivables, retention receivables and contract assets	**9,308**	4,306
Net impairment losses on financial and contract assets	**9,308**	4,306

Impairment losses on trade receivables, retention receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total contractual cash flows *RMB'000*
At 31 December 2018 (audited)				
Trade and other payables	1,409,959	27,919	20,901	1,458,779
At 30 June 2019 (unaudited)				
Borrowings	**20,000**	**—**	**—**	**20,000**
Interest payables	**870**			**870**
Trade and other payables	**1,444,924**	**27,016**	**1,444**	**1,473,384**
	1,465,794	**27,016**	**1,444**	**1,494,254**

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Fair value estimation

There were no changes on valuation techniques during the period.

In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the valuation method for the financial instruments carried at fair value and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Other than those impacts by adopting HKFRS16, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

6 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) Maritime and ports infrastructure; and

(ii) Waterway and other engineering.

The segment results represent the gross profit of the maritime and ports infrastructure and waterway and other 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 condensed consolidated interim 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.

6 SEGMENT INFORMATION (Continued)

(b) Segment results and other information

The revenue from external parties 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 2019 is as follows:

	Six months ended 30 June 2019		
	Maritime and ports infrastructure Unaudited *RMB'000*	Waterway and other engineering Unaudited *RMB'000*	Total Unaudited *RMB'000*
Revenue	403,653	65,666	469,319
Cost of sales	(350,497)	(56,549)	(407,046)
Segment results	53,156	9,117	62,273
Unallocated item:			
Selling and distribution expenses			(1,403)
Administrative expenses			(17,117)
Net impairment losses on financial assets *(Note 4.1(b))*			(9,308)
Other operating expenses			(76)
Other income			3,118
Other gains — net			765
Finance costs — net			(583)
Profit before income tax			37,669
Income tax expense *(Note 8)*			(2,460)
Profit for the period			35,209
Segment items included:			
Depreciation and amortisation	(5,603)	(912)	(6,515)
Net impairment losses on financial assets	(8,740)	(568)	(9,308)

6 SEGMENT INFORMATION (Continued)

(b) Segment results and other information (Continued)

The segment information for the six months ended 30 June 2018 is as follows:

	Six months ended 30 June 2018		
	Maritime and ports infrastructure Unaudited *RMB'000*	Waterway and other engineering Unaudited *RMB'000*	Total Unaudited *RMB'000*
Revenue	382,929	64,864	447,793
Cost of sales	(324,438)	(60,569)	(385,007)
Segment results	58,491	4,295	62,786
Unallocated item:			
Selling and distribution expenses			(1,346)
Administrative expenses			(21,469)
Net impairment losses on financial assets *(Note 4.1(b))*			(4,306)
Other operating expenses			(290)
Other income			2,364
Other gains — net			2,542
Finance income — net			178
Profit before income tax			40,459
Income tax expense *(Note 8)*			(7,625)
Profit for the period			32,834
Segment items included:			
Depreciation and amortisation	(4,821)	(817)	(5,638)
Net impairment losses on financial assets	(4,060)	(246)	(4,306)

6 SEGMENT INFORMATION (Continued)

(c) Revenue from external customers

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

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Mainland China		
Maritime and ports infrastructure		
Revenue	**286,130**	142,751
Cost of sales	**(255,832)**	(127,811)
	30,298	14,940
Waterway and other engineering		
Revenue	**65,666**	64,864
Cost of sales	**(56,549)**	(60,569)
	9,117	4,295
Southeast Asia		
Maritime and ports infrastructure		
Revenue	**117,523**	240,178
Cost of sales	**(94,665)**	(196,627)
	22,858	43,551

Non-current assets, other than non-current receivables, contract assets and deferred tax assets, by territory:

	As at	
	30 June	31 December
	2019	2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Mainland China	**49,654**	51,565
Southeast Asia	**21,867**	24,841
Total	**71,521**	76,406

6 SEGMENT INFORMATION (Continued)

(d) Disaggregation of revenue from contracts with customers

The Group derives revenues from the transfer of services over time for all segments.

(e) Contract assets and liabilities

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

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Contract assets		
Current portion		
Maritime and ports infrastructure	**167,044**	254,828
Waterway and other engineering	**28,480**	16,514
Less: allowance for impairment of contract assets *(Note 4.1(b))*	**(865)**	(1,437)
	194,659	269,905
Non-current portion		
Maritime and ports infrastructure	**68,176**	178,421
Waterway and other engineering	**8,459**	5,182
Less: allowance for impairment of contract assets *(Note 4.1(b))*	**(524)**	(968)
	76,111	182,635
Total contract assets	**270,770**	452,540
Contract liabilities		
Maritime and ports infrastructure	**8,745**	4,761
Total contract liabilities	**8,745**	4,761

(i) Significant changes in contract assets and liabilities

The contract assets are the Group's right to consideration in the exchange for services that the Group has transferred to customer. The contract assets transferred to trade and retention receivables when receipt of the consideration is conditional only on the passage of time.

6 SEGMENT INFORMATION (Continued)

(e) Contract assets and liabilities (Continued)

(i) Significant changes in contract assets and liabilities (Continued)

The Group expects that contract assets have the same risk characteristics as trade receivables. The impairment of contract assets does not have significant impact on the Group. The impairment of contract assets is disclosed in Note 4.1(b).

The contract liabilities above are due to the non-refundable advance payment made by customers. Such liabilities fluctuated as a result of the terms of different projects. A contract liability is the Group's obligation to render services to a customer for which the Group has received consideration from the customer. A contract liability is recognised by the Group when the customer pay consideration but before the Group renders the service to the customer.

Due to the completion of the construction, RMB140,709,000 and RMB3,451,000 contract assets were transferred to trade receivables, while RMB89,370,000 and RMB1,606,000 of contract assets were transferred to retention receivables during the six months ended 30 June 2019 and year ended 31 December 2018.

7 OPERATING PROFIT

The following items have been charged to the six months periods ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Subcontracting costs	**120,287**	128,123
Raw materials and consumables used	**260,398**	231,743
Wages and salaries, social welfare and benefits, including directors' emoluments	**17,954**	23,118
Listing expenses	**—**	6,588
Depreciation of property, plant and equipment *(Note 10)*	**6,405**	5,554
Depreciation and amortisation of right-of-use assets	**204**	—
Amortisation of intangible assets	**110**	84

8 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current income tax	**5,325**	9,076
Deferred income tax	**(2,865)**	(1,451)
Income tax expense — net	**2,460**	7,625

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 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.

(b) 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 2019 and 2018.

(d) 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 six months ended 30 June 2019 and 2018.

(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 2019 and 2018.

8 INCOME TAX EXPENSE (Continued)

(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 2019 and 2018, income tax was provided at the rate of 4% 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.

9 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 period ended 30 June 2019 attributable to the Shareholders of the Company and the weighted average number of ordinary shares in issue.

The weighted average number of ordinary shares for the six months period ended 30 June 2018 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 the year ended 31 December 2018.

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Profit attributable to the Shareholders of the Company (RMB'000)	**35,209**	32,834
Weighted average number of ordinary shares in issue (thousands)	**825,400**	619,050
Total basic earnings per share attributable to the ordinary equity holders of the Group (RMB cents)	**4.27**	5.30

(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 30 June 2019 and 2018.

10 PROPERTY, PLANT AND EQUIPMENT

	Office supplies and electronic equipment Unaudited *RMB'000*	Industrial machinery and equipment Unaudited *RMB'000*	Transport equipment Unaudited *RMB'000*	Total Unaudited *RMB'000*
At 1 January 2018				
Cost	2,241	129,650	6,895	138,786
Accumulated depreciation	(1,907)	(51,138)	(3,095)	(56,140)
Net book amount	334	78,512	3,800	82,646
Six months ended 30 June 2018				
Opening net book amount	334	78,512	3,800	82,646
Additions	56	11	—	67
Depreciation charge	(44)	(4,781)	(729)	(5,554)
Currency translation differences	(2)	(352)	(1)	(355)
Closing net book amount	344	73,390	3,070	76,804
At 30 June 2018				
Cost	2,294	129,258	6,894	138,446
Accumulated depreciation	(1,951)	(55,869)	(3,824)	(61,644)
Net book amount	343	73,389	3,070	76,802
At 31 December 2018				
Cost	2,459	130,952	6,917	140,328
Accumulated depreciation	(2,024)	(57,924)	(4,463)	(64,411)
Net book amount	435	73,028	2,454	75,917
Six months ended 30 June 2019				
Opening net book amount	**435**	**73,028**	**2,454**	**75,917**
Additions	**71**	**540**	**—**	**611**
Depreciation charge	**(74)**	**(5,698)**	**(633)**	**(6,405)**
Currency translation differences	**3**	**439**	**5**	**447**
Closing net book amount	**435**	**68,309**	**1,826**	**70,570**
At 30 June 2019				
Cost	**2,535**	**132,165**	**6,927**	**141,627**
Accumulated depreciation	**(2,100)**	**(63,856)**	**(5,102)**	**(71,058)**
Net book amount	**435**	**68,309**	**1,825**	**70,569**

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

During the six months ended 30 June 2019 and 2018, the amounts of depreciation expenses charged to "Cost of sales" and "Administrative expenses" are as follows:

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of sales	**5,787**	4,860
Administrative expenses	**618**	694
	6,405	5,554

11 TRADE AND OTHER RECEIVABLES

	As at	
	30 June	31 December
	2019	2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade receivables *(i)*	**1,048,022**	975,482
Less: allowance for impairment of trade receivables	**(17,019)**	(6,799)
Trade receivables — net *(i)*	**1,031,003**	968,683
Retention receivables *(ii)*	**205,641**	139,790
Less: allowance for impairment of retention receivables	**(245)**	(137)
Retention receivables — net *(ii)*	**205,396**	139,653
Bills receivables *(i)*	**28,935**	11,669
Other receivables	**45,513**	39,212
Prepayments	**9,944**	3,437
	1,320,791	1,162,654
Less: non-current portion		
Retention receivables *(ii)*	**(11,241)**	(1,965)
Current portion	**1,309,550**	1,160,689

11 TRADE AND OTHER RECEIVABLES (Continued)

(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 30 June 2019 and 31 December 2018.

As at 30 June 2019 and 31 December 2018, the ageing analysis of the trade and bills receivables based on the payment requests or demand notes of customers is as follows:

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 3 months	**290,606**	452,867
4 to 6 months	**40,765**	139,889
7 to 12 months	**378,508**	28,513
1 to 2 years	**283,089**	310,369
2 to 3 years	**46,546**	21,525
Over 3 years	**37,443**	33,988
	1,076,957	987,151

11 TRADE AND OTHER RECEIVABLES (Continued)

(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 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 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 1 year	**86,846**	6,033
1 to 2 years	**66,611**	90,379
2 to 3 years	**33,277**	25,902
3 to 4 years	**1,461**	14,439
4 to 5 years	**14,478**	491
Over 5 years	**2,968**	2,546
	205,641	139,790

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

12 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Cash on hand	**78**	41
Cash at bank	**470,593**	385,926
Less: Restricted cash *(Note i, ii)*	**(13,521)**	(77)
	457,150	385,890

The restricted cash represents the following balances:

(i) As at 30 June 2019, deposits at bank of RMB277,000 was pledged as security for project expenditure and RMB13,244,000 was issued for bills payables.

(ii) As at 31 December 2018, deposits at bank of RMB77,000 was pledged as security for project expenditure.

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of authorised	Number of issued and fully paid shares	Amount: Equivalent nominal value of ordinary share Unaudited *RMB'000*	Amount: Share premium Unaudited *RMB'000*	Amount: Total Unaudited *RMB'000*
Opening balance as at 1 January 2018	38,000,000	910,000	8	—	8
Shares issued pursuant to the Reorganisation	—	1,746,836	—	123,124	123,124
As at 30 June 2018	38,000,000	2,656,836	8	123,124	123,132
Opening balance as at 1 January 2019	**10,000,000,000**	**825,400,000**	**7,303**	**322,551**	**329,854**
As at 30 June 2019	**10,000,000,000**	**825,400,000**	**7,303**	**322,551**	**329,854**

The total number of authorised share capital of the Company comprised 825,400,000 ordinary shares with a par value of HK$0.01 each as at 30 June 2019 and 31 December 2018.

14 TRADE AND OTHER PAYABLES

	As at	
	30 June 2019 Unaudited *RMB'000*	31 December 2018 Audited *RMB'000*
Trade payables *(i)*	**1,018,050**	1,036,321
Bills payables *(i)*	**35,880**	1,500
Retention payables *(ii)*	**113,842**	121,249
Long-term payables *(iii)*	**287,485**	275,939
Payroll and social security	**5,469**	6,112
Other tax liabilities excluding income tax liabilities	**57,328**	51,598
Other payables	**18,024**	23,104
	1,536,078	1,515,823
Less: non-current portion		
Retention payables *(ii)*	**(27,970)**	(38,655)
Long-term payables *(iii)*	**(387)**	(9,802)
	(28,357)	(48,457)
Current portion	**1,507,721**	1,467,366

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

As at 30 June 2019 and 31 December 2018, the ageing analysis of the trade and bills payables based on the payment requests or demand notes is as follows:

	As at	
	30 June 2019 Unaudited *RMB'000*	31 December 2018 Audited *RMB'000*
Within 3 months	**196,124**	410,269
4 to 6 months	**51,797**	181,530
7 to 12 months	**362,177**	106,547
1 to 2 years	**324,882**	251,139
2 to 3 years	**68,815**	55,953
Over 3 years	**50,135**	32,383
	1,053,930	1,037,821

14 TRADE AND OTHER PAYABLES (Continued)

(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 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 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 1 year	**23,601**	27,820
1 to 5 years	**80,382**	83,787
Over 5 years	**9,859**	9,642
	113,842	121,249

(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 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 of the long-term payables is as follows:

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 1 year	**88,274**	66,732
1 to 5 years	**183,463**	191,092
Over 5 years	**15,748**	18,115
	287,485	275,939

15 BORROWINGS

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Current — unsecured		
Bank borrowings	**20,000**	—
Total borrowings	**20,000**	—

The loan is a fixed rate, RMB dominated loan which is carried at amortised cost. It therefore did not have any impact on the Group's exposure to foreign exchange and cash flow interest rate risk.

Movements in borrowings are analysed as follows:

	Unaudited
	RMB'000
Six months ended 30 June 2018	
Opening amount as at 1 January 2018 and Closing amount as at 30 June 2018	—
Six months ended 30 June 2019	
Opening amount as at 1 January 2019	—
New borrowings	20,000
Closing amount as at 30 June 2019	20,000

16 DIVIDENDS

At a meeting held on 28 August 2019, the Board resolved to declare an interim dividend of HK1.2 cents (equivalent to RMB1.1 cents) per share, representing total amount of approximately HKD9.9 million (equivalent to RMB8.9 million). This interim dividend has not been recognised as a dividend payable in this interim financial information, but will be recognised as an appropriation of share premium for the year ending 31 December 2019.

17 COMMITMENTS

(a) Capital commitments

As at 30 June 2019 and 31 December 2018, the Group and the Company did not have any significant capital commitments.

(b) Commitments under operating leases

As at 30 June 2019 and 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
No later than 1 year	**569**	2,537
Later than 1 year and no later than 2 years	**—**	203
	569	2,740

18 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2019 and 2018, and balances arising from related party transactions as at the respective balance sheet dates.

18 RELATED PARTY TRANSACTIONS (Continued)

Name and relationship with related parties are set out below:

Related party	Relationship
Shanghai Watts Gallop Holding Group Co., Ltd. ("**Watts Gallop**")	Controlled by the same ultimate controlling shareholder
Shanghai Third Harbor Benteng Construction and Engineering Co., Ltd. ("**Third Harbor Construction**"),	Subsidiary of Watts Gallop
Mr. Tang Liang	Senior management of the Group before 31 January 2019
Zhejiang Zhoushan Benteng Construction Material Co., Ltd. ("**Zhoushan Benteng**")	Subsidiary of Watts Gallop
Jiangsu Shenyu Port Engineering Co., Ltd.	Subsidiary of Watts Gallop
Jiangsu Watts Energy Engineering Co., Ltd. ("**Jiangsu Watts Energy**")	Subsidiary of Watts Gallop
Zhejiang Benteng Municipal Garden Construction and Engineering Co., Ltd. Controlled ("**Zhejiang Benteng Municipal**")	Subsidiary of Watts Gallop

(a) Transactions with related parties

Save as disclosed elsewhere in these financial statements, during the six months ended 30 June 2019 and 2018, the following transactions were carried out with related parties at terms mutually agreed by both parties:

(i) Rental from related parties

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
— Third Harbor Construction	**254**	192
— Jiangsu Watts Energy	**30**	—
	284	192

The related party transactions above were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions were in the ordinary course of business of the Group and in accordance with terms of the underlying agreements.

18 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

(ii) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Salaries, wages and allowances	**1,790**	616
Pension costs	**141**	127
Bonuses	**231**	672
	2,162	1,415

(b) Balances with related parties

(i) Amounts due from related parties

	As at	
	30 June	31 December
	2019	2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Other receivables		
— Zhejiang Benteng Transportation	**1,169**	1,169
— Mr. Tang Liang	**—**	501
	1,169	1,670

18 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

(ii) Amounts due to related parties

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade and retention payables		
— Zhejiang Benteng Municipal	**21,050**	27,002
— Jiangsu Shenyu Port Engineering Co., Ltd.	**10,092**	10,092
— Zhoushan Benteng	**5,098**	5,598
	36,240	42,692

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Lease liabilities and other payables		
— Third Harbor Construction	**198**	—
— Jiangsu Watts Energy	**30**	—
	228	—

The above balances are unsecured, interest free and receivable/repayable on demand. The carrying amount of the balances appropriated their fair value as at 30 June 2019 and 31 December 2018.

(c) Other matters

During the six months ended 30 June 2019, one project in waterway and other engineering segment recognised RMB50,229,000 in revenue and RMB7,089,000 in gross profit from an independent third-party main contractor, and the property owner of the project is a related party of the Group.

19 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Except for the interim dividends disclosed in note 16, there were no other material subsequent events undertaken by the Company or by the Group after 30 June 2019.