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**华滋国际海洋股份有限公司**  
**Watts International Maritime Company Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 2258)**

## **RENEWAL OF CONTINUING CONNECTED TRANSACTION 2023–2025 MASTER CONSTRUCTION SERVICES AGREEMENT**

### **INTRODUCTION**

Reference is made to the announcement of the Company dated 25 September 2020 in relation to, among others, the Master Construction Services Agreement. As the Master Construction Services Agreement will expire on 31 December 2022, on 7 December 2022 (after trading hours), the Company as service provider and Watts Gallop as service recipient entered into the 2023–2025 Master Construction Services Agreement, pursuant to which the Group will provide engineering construction services to Watts Gallop Group from 1 January 2023 to 31 December 2025, subject to the terms and conditions provided under the 2023–2025 Master Construction Services Agreement.

### **2023–2025 MASTER CONSTRUCTION SERVICES AGREEMENT**

The principal terms of the 2023–2025 Master Construction Services Agreement are summarized as follow:

#### **Date**

7 December 2022 (after trading hours)

## **Parties**

- (1) the Company
- (2) Watts Gallop

## **Subject matter**

Pursuant to the 2023–2025 Master Construction Services Agreement, the Group will, if engaged by Watts Gallop Group, provide engineering construction services to Watts Gallop Group. The engineering construction services shall include but not limited to (i) marine engineering construction services, (ii) municipal public engineering construction services and (iii) other engineering construction services that may be provided by the Group.

## **Term**

The 2023–2025 Master Construction Services Agreement will be effective for three years from 1 January 2023 until 31 December 2025.

## **Condition precedent**

The 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder and the proposed annual caps is conditional upon the approval by the Independent Shareholders in accordance with the Listing Rules.

## **Pricing policy**

When determining the fees to be charged by the Group for the engineering construction services to be provided by the Group under the 2023–2025 Master Construction Services Agreement, the Company will mainly consider the expected gross profit margin (based on nature, size, duration, potential risks, cost of raw material and complexity etc.). The expected gross profit margin shall be no less favourable than at least two recent comparable projects that the engineering construction services of which were provided by the Group to Independent Third Parties.

## **REASONS FOR AND BENEFITS OF THE 2023–2025 MASTER CONSTRUCTION SERVICES AGREEMENT**

The transactions contemplated under the 2023–2025 Master Construction Services Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The 2023–2025 Master Construction Services Agreement is intended to streamline the continuing connected transactions between the Group and Watts Gallop Group. With years of stable and long-term business relationship between the Group and Watts Gallop Group and the Group’s involvement in providing services to Watts Gallop Group since 2010, the Group is familiar with the business needs, quality standards and operation requirements of Watts Gallop Group while Watts Gallop Group is familiar with the Group’s construction capacity and qualification. Based on the pricing policy of the 2023–2025 Master Construction Services Agreement, the Group is able to render revenue with terms not less favorable than Independent Third Parties. In addition, the long-term relation between the Group and Watts Gallop Group also creates synergies such as more effective communication and higher work efficiency, while also reduces the administrative procedure and cost of the Group during the bidding process and less credit risk when collecting receivables.

Having considered the above reasons and benefits, the Board (other than Mr. Wang Xiuchun, Mr. Wang Shizhong, Mr. Wang Lijiang and Mr. Wang Likai who have abstained from voting on the relevant Board resolutions and the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the circular to be despatched to the Shareholder) considers that the terms of the transactions contemplated under the 2023–2025 Master Construction Services Agreement and the proposed annual caps are fair and reasonable and on normal commercial terms or better, the 2023–2025 Master Construction Services Agreement was entered in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Mr. Wang Xiuchun, Mr. Wang Shizhong, Mr. Wang Lijiang and Mr. Wang Likai, being Directors of the Company, have abstained from voting on the Board resolutions approving the 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder.

## PROPOSED ANNUAL CAPS AND ITS BASIS

The historical annual caps and historical transaction amount in respect of the engineering construction services provided by the Group to Watts Gallop Group for the two years ended 31 December 2021 and ten months ended 31 October 2022 are set out below:

### Historical Annual Caps under Master Construction Services Agreement and Greentown Construction Agreement

	Year ended 31 December 2020	Year ended 31 December 2021	Year ending 31 December 2022
Master Construction Services Agreement	RMB57 million	RMB228 million	RMB347 million
Greentown Construction Agreement	<u>RMB150 million</u>	<u>RMB120 million</u>	<u>RMB30 million</u>
Total	<u><u>RMB207 million</u></u>	<u><u>RMB348 million</u></u>	<u><u>RMB377 million</u></u>

### Historical Transaction Amount under Master Construction Services Agreement and Greentown Construction Agreement

	Year ended 31 December 2020	Year ended 31 December 2021	Ten months ended 31 October 2022
Master Construction Services Agreement	RMB53.5 million	RMB44.3 million	RMB65.4 million
Greentown Construction Agreement	<u>RMB120.1 million</u>	<u>RMB46.6 million</u>	<u>RMB29.4 million</u>
Total	<u><u>RMB173.6 million</u></u>	<u><u>RMB90.9 million</u></u>	<u><u>RMB94.8 million</u></u>

### Proposed Annual Caps under 2023–2025 Master Construction Services Agreement

The proposed annual caps for the transactions contemplated under the 2023–2025 Master Construction Services Agreement for each of the three years ending 31 December 2025 are set out as follows:

	Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
Proposed Annual Caps	RMB362 million	RMB178 million	RMB118 million

The proposed annual caps under the 2023–2025 Master Construction Services Agreement were determined with reference to the historical transaction amounts listed above and after taking into consideration the following factors:

- (i) the historical transaction amounts under the Master Construction Services Agreement and the Greentown Construction Agreement;
- (ii) the expected demand of the Watts Gallop Group for the engineering construction services of eleven existing projects which were expected extended or rescheduled to 2023 or 2024 and one potential new project which is expected to start in 2024; and
- (iii) buffer reserved for any unexpected delay of the construction progress or due to potential variation of estimated demand of the Watts Gallop Group for the engineering constructions services.

## **INTERNAL CONTROL MEASURES REGARDING CONTINUING CONNECTED TRANSACTIONS**

After identifying the potential projects from Watts Gallop Group, the marketing department will conduct the initial assessment on the prequalification requirements and assess the Group's estimated expected profit margin based on scope of work, nature, size, duration, cost of raw material and subcontractors, complexity etc.

The marketing department and the finance department of the Group are jointly responsible for conducting reviews on compliance with relevant laws, regulations, the Group's internal policies and the Listing Rules in respect of the continuing connected transactions. Before submitting tenders or quotations for projects of Watts Gallop Group, the marketing department will submit a report with the terms of the tender including the basis of the derivation of the expected profit margin and at least two comparable transactions with Independent Third Parties with similar terms to the finance department for approval, which shall be considered by the finance department based on, among others, the expected gross profit margin being not less favourable than at least two recent similar types of project (in terms of nature, size, duration, potential risks, cost of raw material and complexity etc.) that the engineering construction services of which were provided by the Group to Independent Third Parties and whether the proposed annual caps under the 2023–2025 Master Construction Services Agreement will be exceeded.

The Company estimates projects' gross profit margins based on available information, the Company will seek quotations from various suppliers and/or subcontractors to assist the Company in estimating the project costs and will also consider factors such as, the geographical location of the projects, the scope and quantity of work and/or services to be provided, the quantity and costs of raw materials and subcontracting services, the vessels and construction equipment to be used, and labour required to complete the projects. Furthermore, the weather condition will also be considered since the majority of port and waterway engineering work and services are performed above and/or under the water, which are prone to adverse weather and seasonal conditions and may directly or indirectly affect the gross profit margins.

In addition, independent non-executive Directors will conduct annual review in relation to the transactions contemplated under the 2023–2025 Master Construction Services Agreement and provide annual confirmations in accordance with the Listing Rules that the transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole in the Company's annual report.

## **INFORMATION OF THE RELEVANT PARTIES**

### **The Company**

The Company is a company incorporated in the Cayman Islands on 20 December 2017. The Company is a leading port, waterway, maritime engineering and municipal public engineering services provider in the PRC and is committed to the services of (i) port infrastructure, (ii) waterway engineering, (iii) construction of public infrastructure within cities, (iv) urban greening and (v) construction of buildings.

### **Watts Gallop**

Watts Gallop is an investment holding company established under the laws of the PRC on 13 November 2003, and as at the date of this announcement, its subsidiaries are principally engaged in the real estate development, investment in property, property management, property leasing, production and manufacturing of transport and storage equipment for new energy, and trade service in the PRC.

As at the date of this announcement, Watts Gallop is ultimately owned as to 56.00% by Mr. Wang Shizhong, 6.66% by Mr. Ye Kangshun, 6.00% by Mr. Wang Xiuchun, 4.00% by Mr. Li Hongwei, 4.00% by Mr. Huang Guanming, 4.00% by Mr. Li Weifei, 2.70% by Mr. Tang Jinxin, 2.06% by Mr. Pan Xinfu, 2.00% by Ms. Zhu Weier, 2.00% by Mr. Jiang Chunwei, 1.50% by Ms. Zhou Meng, 1.36% by Mr. Shen Jianli, 1.36% by Mr. Wang Shiqin, 1.36% by Mr. Jin Yuhuan, 1.00% by Mr. Lu Yang, 1.00% by Mr. Yan Xincheng, 1.00% by Mr. Wang Likai, 0.50% by Ms. Wan Yun, 0.50% by Mr. Xu Mingsong, 0.50% by Ms. Zhu Qiulian, and 0.50% by Mr. Chen Yan.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. Wang Shizhong, a non-executive Director and a controlling shareholder of the Company, owns 56% equity interest in Watts Gallop. Mr. Wang Shizhong and the parties acting in concert with him (including Mr. Ye Kangshun, Mr. Wang Xiuchun, Ms. Zhou Meng, Mr. Wang Shiqin and Mr. Wang Likai) together own an aggregate of 72.52% equity interest in Watts Gallop. As such, Watts Gallop is a connected person of the Company. The 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the highest annual cap under the 2023–2025 Master Construction Services Agreement exceeds 5%, the 2023–2025 Master Construction Services Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Company has established the Independent Board Committee to advise the Independent Shareholders in respect of the 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder. The Company has also appointed Zero2IPO Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2023–2025 Master Construction Services Agreement and the proposed annual caps.

## **GENERAL**

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve, the 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder and the proposed annual caps. A circular containing, among others, (i) further details of the 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from Zero2IPO Capital to the Independent Board Committee and the Independent Shareholders in relation to the 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder; and (iv) a notice of EGM, is expected to be despatched to the Shareholders on or before 31 December 2022 as the Company needs more time to prepare and finalise information to be included in the circular.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder is required to abstain from voting on the relevant resolution(s) at the EGM. Since each of HuaZi Holding Limited, Ye Wang Zhou Holding Limited and HZ&BT Development Holding Limited has material interest in the 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder, each of HuaZi Holding Limited, Ye Wang Zhou Holding Limited and HZ&BT Development Holding Limited and their associates must abstain from voting on the resolution(s) approving the 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder at the EGM <sup>(Notes 1, 2, 3 and 4)</sup>. To the best knowledge, information and belief of the Directors, save as disclosed in this announcement, none of the other Shareholders must abstain from voting on the relevant resolution(s).

*Notes:*

1. As at the date of this announcement, (i) HuaZi Holding Limited, a company holding 315,467,967 Shares, is wholly owned by Mr. Wang Shizhong; (ii) HZ&BT Development Holding Limited, a company holding 143,542,720 Shares, is owned as to 15.71%, 15.70%, 15.70%, 10.60%, 8.08%, 7.85%, 5.34%, 5.34%, 3.92%, 3.92%, 1.96%, 1.96%, 1.96% and 1.96% by Mr. Li Hongwei, Mr. Li Weifei, Mr. Huang Guanming, Mr. Tang Jinxin, Mr. Pan Xinfu, Ms. Zhu Weier, Mr. Shen Jianli, Mr. Jin Yuhuan, Mr. Yan Xinheng, Mr. Lu Yang, Ms. Wan Yun, Ms. Zhu Qiulian, Mr. Xu Mingsong and Mr. Chen Yan, respectively; and (iii) Ye Wang Zhou Holding Limited, a company holding 104,324,869 Shares, is owned as to 46.76%, 32.40%, 8.10%, 7.34% and 5.40% by Mr. Ye Kangshun, Mr. Wang Xiuchun, Ms. Zhou Meng, Mr. Wang Shiqin and Mr. Wang Likai, respectively.
2. Pursuant to the acting-in-concert confirmation dated 22 August 2004 entered into among Mr. Wang Shizhong, Mr. Ye Kangshun, Mr. Wang Xiuchun, Ms. Zhou Meng and Mr. Wang Shiqin (as supplemented by another acting-in-concert confirmation dated 25 May 2018 entered into among the same parties and Mr. Wang Likai), 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). As such, each of them is deemed to be interested in each other's interest in the Shares.
3. Mr. Wang Shizhong is the brother of Mr. Wang Shiqin, and a distant relative of Mr. Wang Xiuchun (王秀春). Mr. Wang Lijiang is the nephew of Mr. Wang Shizhong and the son of Mr. Wang Shiqin. Mr. Wang Likai is the son of Mr. Wang Shizhong.
4. Mr. Wang Xiuchun, Mr. Wang Shizhong, Ms. Wan Yun, Mr. Wang Lijiang and Mr. Wang Likai are Directors of the Company.



## DEFINITIONS

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

“2023–2025 Master Construction Services Agreement”	the master engineering construction services agreement entered into on 7 December 2022 between the Company as service provider and Watts Gallop as service recipient, pursuant to which the Group will provide engineering construction services to Watts Gallop Group
“Board”	the board of Directors of the Company
“Company”	Watts International Maritime Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting (or any adjournment thereof) of the Company to be convened to consider and approve, among other things, the 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder and the proposed annual caps
“Greentown Construction Agreement”	an agreement dated 1 July 2019 entered into between Zhejiang Benteng Municipal Gardening Construction Engineering Co., Ltd. (浙江奔騰市政園林建設工程有限公司), a direct wholly-owned subsidiary of Shanghai Municipal and an indirect wholly-owned subsidiary of the Company and Hangzhou Huazi Greentown Real Estate Co., Ltd. (杭州華滋綠城房地產有限公司) in relation to the provision of construction services by Zhejiang Benteng Municipal Gardening Construction Engineering Co., Ltd. to Hangzhou Huazi Greentown Real Estate Co., Ltd., the details of which are set out in the announcement of the Company dated 20 November 2019

“Group”	the Company and its subsidiaries from time to time
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the terms of the 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Zero2IPO Capital”	Zero2IPO Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the 2023–2025 Master Construction Services Agreement and the proposed annual caps
“Independent Shareholders”	Shareholders who do not have a material interest in the 2023–2025 Master Construction Services Agreement and the transactions contemplated thereunder
“Independent Third Parties”	an individual(s) or a company(ies) who or which/are not connected person(s) of the Company within the meaning of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Construction Services Agreement”	the master engineering construction services agreement entered into on 25 September 2020 between the Company as service provider and Watts Gallop as service recipient, pursuant to which the Group will provide engineering construction services to Watts Gallop Group
“PRC”	the People’s Republic of China, which for the purpose of this announcement only excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shares”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Shanghai Municipal”	Shanghai Watts Benteng Municipal Public Engineering Co., Ltd.* (上海華滋奔騰市政工程有限公司), a company established in the PRC and acquired by the Company on 24 December 2019
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Watts Gallop”	Shanghai Watts Gallop Holding Group Co., Ltd.* (上海華滋奔騰控股集團有限公司), a company established in the PRC with limited liability and a connected person of the Company. As at the date of this announcement, Watts Gallop is owned as to 56.00% by Mr. Wang Shizhong, 6.66% by Mr. Ye Kangshun, 6.00% by Mr. Wang Xiuchun, 4.00% by Mr. Li Weifei, 4.00% by Mr. Li Hongwei, 4.00% by Mr. Huang Guanming, 2.70% by Mr. Tang Jinxin, 2.06% by Mr. Pan Xinfu, 2.00% by Ms. Zhu Weier, 2.00% by Mr. Jiang Chunwei, 1.00% by Mr. Wang Likai, 1.50% by Ms. Zhou Meng, 1.36% by Mr. Shen Jianli, 1.36% by Mr. Wang Shiqin, 1.36% by Mr. Jin Yuhuan, 1.00% by Mr. Yan Xincheng, 1.00% by Mr. Lu Yang, 0.50% by Ms. Wan Yun, 0.50% by Ms. Zhu Qiulian, 0.50% by Mr. Xu Mingsong, and 0.50% by Mr. Chen Yan
“Watts Gallop Group”	Watts Gallop and its subsidiaries and/or associate from time to time

\* For identification purpose only

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

Shanghai, 7 December 2022

*As at the date of this announcement, the Board of Directors 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.*