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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 2024–2026 MASTER PROCUREMENT AGREEMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 7 April 2021 in relation to the 2021 Master Procurement Agreement. As the 2021 Master Procurement Agreement will expire on 31 December 2023, on 20 December 2023 (after trading hours), the Company as purchaser and Watts Gallop as vendor entered into the 2024–2026 Master Procurement Agreement in respect of the procurement of Raw Materials from 1 January 2024 to 31 December 2026.

2024–2026 MASTER PROCUREMENT AGREEMENT

The principal terms of the 2024–2026 Master Procurement Agreement are summarized as follow:

Date

20 December 2023 (after trading hours)

Parties

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

Subject matter

Pursuant to the 2024–2026 Master Procurement Agreement, the Group may procure Raw Materials from Watts Gallop Group from time to time during the term of the 2024–2026 Master Procurement Agreement. It is expected that separate definitive procurement agreements will be entered into between the Group and Watts Gallop Group to set out specific terms and conditions of specific transactions pursuant to the principal terms stipulated in the 2024–2026 Master Procurement Agreement.

Term

The 2024–2026 Master Procurement Agreement will be valid from 1 January 2024 to 31 December 2026.

Pricing policy

The transactions contemplated under the 2024–2026 Master Procurement Agreement will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and on terms which are comparable to or better than those offered by Independent Third Parties.

The prices of the Raw Materials are set through tendering and bidding process, which there must be at least two bidders who are Independent Third Parties attending the tendering and bidding process. The Company will take into consideration factors including, but not limited to, the bidders' sufficient licenses and qualifications, business scale and capacities and will also make reference to the prevailing market terms and prices, as well as the government-prescribed prices or government-guided prices (where applicable).

REASONS FOR AND BENEFITS OF THE 2024–2026 MASTER PROCUREMENT AGREEMENT

The transactions contemplated under the 2024–2026 Master Procurement 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 2024–2026 Master Procurement Agreement is intended to streamline the continuing connected transactions between the Group and Watts Gallop Group. The purposes of entering into the 2024–2026 Master Procurement Agreement are to renew the term of the 2021 Master Procurement Agreement and to renew the annual caps for the transactions contemplated thereunder, in order to ensure the continuation of the on-going procurement of the Raw Materials from the Watts Gallop Group by the Group.

The Raw Materials purchased from Watts Gallop Group are primarily used in the construction projects in the Group's ordinary and usual course of business. With years of stable and long-term business relationship between the Group and Watts Gallop Group and Watts Gallop Group's experience in the supply of the Raw Materials, the Directors believe that Watts Gallop Group is able to provide the Group with quality Raw Materials at competitive prices and terms in the open market. In addition, Watts Gallop Group is familiar with the Group's business needs, quality standards and operation requirements through the long-term cooperation with the Group. When compared to the similar Raw Materials offered by Independent Third Parties, the prices and terms offered by Watts Gallop Group are fair and reasonable, and are comparable to or better than those offered by Independent Third Parties. Nevertheless, the Directors consider that based on the Group's historical purchase amount and nature of the Raw Materials purchased from Watts Gallop Group for the period from 1 January 2021 to 30 November 2023, the Group was able to purchase such Raw Materials with similar quality standards and business terms from other Independent Third Parties easily, and hence, the Group has no reliance on Watts Gallop Group.

The Directors (including the independent non-executive Directors) are of the view that the 2024–2026 Master Procurement Agreement is entered into in the ordinary course of the Group's business and on normal commercial terms, and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ANNUAL CAPS AND BASIS FOR ANNUAL CAPS

The historical transaction amount for each of the two years ended 31 December 2022 and the eleven months ended 30 November 2023 under the 2021 Master Procurement Agreement are set out below:

Historical Transaction Amount under the 2021 Master Procurement Agreement

	Year ended 31 December 2021	Year ended 31 December 2022	Eleven months ended 30 November 2023
Historical Transaction Amount	RMB10,800,000	RMB4,000,000	RMB1,100,000

Annual Caps under the 2024–2026 Master Procurement Agreement

The annual caps for the transactions contemplated under the 2024–2026 Master Procurement Agreement for the three years ending 31 December 2026 are set out as follows:

	Year ending 31 December 2024	Year ending 31 December 2025	Year ending 31 December 2026
Annual caps	RMB9,000,000	RMB9,000,000	RMB9,000,000

The annual caps under the 2024–2026 Master Procurement Agreement were determined with reference to the historical transaction amounts listed above and after taking into consideration (i) the historical unit price of the Raw Materials and (ii) the number of projects on hand or expected to be held and the expected demand for the Raw Materials to be procured therewith.

INTERNAL CONTROL MEASURES REGARDING THE 2024–2026 MASTER PROCUREMENT AGREEMENT

To ensure the Company's compliance with the above pricing policies from time to time, the Company adopted a series of internal control policies in its daily operations. Such internal control policies are conducted and supervised by the finance department and the audit department of the Company:

- (1) the Company has adopted and implemented a consistent management system on connected transactions. According to the system, the finance department is responsible for the information gathering on and monitoring of connected transactions, and conducting evaluation on the fairness of the transaction terms and the pricing terms;
- (2) the independent non-executive Directors will review such continuing connected transactions under the 2024–2026 Master Procurement Agreement to ensure such transactions are entered into on normal commercial terms, fair and reasonable, and carried out pursuant to the terms of the 2024–2026 Master Procurement Agreement. The auditor of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions under the 2024–2026 Master Procurement Agreement; and
- (3) the internal audit department of the Company will conduct periodical monitoring and evaluation on whether the procedures of connected transactions conform with the internal control requirements of the Company.

INFORMATION OF THE RELEVANT PARTIES

The Company

The Company is a company incorporated in the Cayman Islands on 20 December 2017. The Group is a leading port, waterway, marine engineering and municipal public engineering services provider in the PRC and is committed to the services of (i) port infrastructure, (ii) waterway engineering, (iii) construction of public infrastructure within cities, (iv) urban greening, and (v) construction of 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 Shanghai Watts Gallop Holding Industrial Co., Ltd., 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. Shanghai Watts Gallop Holding Industrial Co., Ltd. is wholly-owned by Watts Gallop.

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 56.00% 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 2024–2026 Master Procurement Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one of 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 2024–2026 Master Procurement Agreement exceeds 5% but is less than 25% and the highest annual cap is less than HK\$10,000,000, the 2024–2026 Master Procurement Agreement is subject to the reporting, announcement and annual review requirements, but is exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

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 2024–2026 Master Procurement Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“2021 Master Procurement Agreement”	the master procurement agreement entered into on 7 April 2021 between the Company as purchaser and Watts Gallop as vendor in respect of the procurement of the Raw Materials for a term of 7 April 2021 to 31 December 2023
“2024–2026 Master Procurement Agreement”	the master procurement agreement entered into on 20 December 2023 between the Company as purchaser and Watts Gallop as vendor in respect of the procurement of the Raw Materials for a term of 1 January 2024 to 31 December 2026
“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
“Group”	the Company and its subsidiaries from time to time

“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
“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
“Raw Materials”	all raw materials and other consumables related to production and operation of the Group
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Watts Gallop”	Shanghai Watts Gallop Holding Group Co., Ltd. (formerly known as Zhejiang Benteng Investment Co., Ltd.* (浙江奔騰投資有限公司) and Zhejiang Benteng Investment Group Co., Ltd.* (浙江奔騰投資集團有限公司)), a company established under the laws of the PRC on November 2003
“Watts Gallop Group”	Watts Gallop and its subsidiaries and/or associate from time to time

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

Shanghai, 20 December 2023

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

* For identification purposes only