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

Annual Report

2024

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Corporate Information

Directors

Executive directors

Mr. Wang Xiuchun (王秀春) *(Chairman)*
Ms. Wan Yun (萬雲) *(Chief executive officer)*
Mr. Wang Lijiang (王利江)
(concurrently as joint company secretary)
Mr. Wang Likai (王利凱)

Non-executive director

Mr. Wang Shizhong (王士忠)

Independent non-executive directors

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

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)
Ms. Zhang Xiao (張瀟) *(ACG, HKACG)*

Authorised representatives

Ms. Wan Yun (萬雲)
Ms. Zhang Xiao (張瀟)

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, Dah Sing Financial Centre
No. 248 Queen's Road East
Wan Chai, Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

Legal adviser as to Hong Kong law

Dorsey & Whitney
Room 2802, 28th Floor
Alexandra House
18 Chater Road, 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
Wan Chai, 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

Chairman's Statement

Revenue of the Group for the year amounted to approximately RMB1,534.2 million

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of WATTS INTERNATIONAL MARITIME COMPANY LIMITED (the "**Company**"), together with its subsidiaries (the "**Group**"), I am pleased to present the audited annual results and consolidated financial statements of the Group for the year ended 31 December 2024 to all the Shareholders.

The shares of the Group were successfully listed on the main board of The Stock Exchange of Hong Kong Limited on 19 November 2018. Its principal businesses include port, waterway and marine engineering services, municipal public engineering, construction engineering and environmental technology engineering services. The Group always adhered to the keynote of high-quality development and strived to become a first grade comprehensive construction service enterprise.

In 2024, domestic and overseas economy are facing numerous challenges, with insufficient domestic demand and difficulties in production and operation of some enterprises. The global situation was chaotic and the geopolitical conflicts was intensified. There was increasing competition in both domestic and overseas markets with greater risks and hidden dangers. In addition, due to the adverse impact as a result of slowdown of economic growth, weak real estate market and intensified competition in the industry, the Group's revenue dropped significantly during the Reporting Period. Since the economic recovery is still unpredictable, the Group treated the financial data and financial statements with a more prudent attitude by increasing the corresponding provision for impairment loss. As a result, the Group recorded a net loss. In 2024, the Group recorded revenue of approximately RMB1,534.2 million, of which approximately RMB497.2 million was generated from the marine construction segment and approximately RMB1,037.0 million was generated from the municipal public construction segment.

In 2024, the market competition was increasingly fierce as conflict among major countries was intensified and there was insufficient economic growth momentum. The Group has always adhered to the general working principle of steady progress. The Group increased monitoring of the market environment, adjusted its market countermeasures in a timely manner, and further optimized the allocation of resources within the Group, as a result enhanced the Group's ability to resist risks.

In 2025, the overall economic environment is gradually shifting from the high-speed growth stage to high-quality development stage. China's economy has solid foundation with many advantages, featuring a long-term positive development. Investment in infrastructure will be expanded in emerging market and some countries (regions) due to their demand for public facilities and services, which will provide opportunities to companies engaging construction of infrastructure. The Group will continue to build on its traditional strengths in ports, waterways, marine and municipal public engineering, focus on the goal of high-quality development, and dynamically adjust its business strategies in accordance with market changes. By further promoting the development of the environmental technology business and optimizing development in overseas markets, the Group will continue to enhance its comprehensive competitiveness in both domestic and international market, striving to achieve revenue growth in 2025.

In 2025, the Group will continue to enhance its 4+1 business development strategy, strengthen the monitoring of domestic and overseas market environment, and get prepared to proactively respond to issues such as the intensifying competition in the industry. The Group will focus on its internal quality improvement and efficiency enhancement, accelerate new development plans, and optimize its business distribution. The Group will also actively push forward the transformation and upgrade of traditional business segments to develop the emerging environmental technology business, and take advantage of the favorable policies in the environmental cycle and the market opportunities arising from the transformation and upgrading needs of various industries at home and abroad to further improve business revenue. In addition, the Group will continue to expand its overseas market. Relying on the international cooperation of the modern industrial supply chain, the Group will strengthen its overseas comprehensive service capability, further expand the overall income level, and increase the return to Shareholders.

Finally, on behalf of the members of the Board, I would like to take this opportunity to express our heartfelt thanks to our Shareholders, management team, employees, customers, suppliers, subcontractors and other business partners for their support.

Best regards,

Wang Xiuchun (王秀春)
Chairman

27 March 2025

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.

Business Review

The Group enjoys grade A qualifications for the general contracting of the port, waterway and marine engineering business, and construction and municipal public engineering business in China. Therefore, the Group is qualified for inland river, port, waterway and municipal public engineering projects. The Group boasts the strongest construction capacity both in and outside China and a solid customer base. This sustains the stable development of the Group and the maximisation of the return to Shareholders.

In 2024, the Group recorded revenue of RMB1,534.2 million, representing a decrease of approximately 28.4% comparing with the year ended 31 December 2023. Due to the slowdown in the PRC's macroeconomic growth, the weakening of the real estate market and the intensified competition in the ports, waterways and offshore engineering industry in the PRC and Southeast Asia, the commencement of potential projects in the engineering construction industry has been delayed, resulting in a significant decrease in the Group's revenue during the Reporting Period. Meanwhile, in consideration of liquidity and credit risk, in particular the changes in domestic and overseas economic environment and the collection of receivables by the municipal public construction segment, the Group has increased the provision for impairment losses for common and individual projects based on the principle of prudence in anticipation of greater credit losses.

Overall, the revenue of marine construction segment and municipal public construction segment dropped by approximately 31.4% and 26.9% respectively in 2024.

Future Plans and Prospect

In order to mitigate the potential risks arising from competition pressures and regional economic conditions, the Group has been actively expanding the market coverage of its business and enlarging the ecosystem of cooperation. While we focus on our core businesses of ports, waterways and municipal construction, we also develop the emerging business of environmental engineering, which will have more positive impact on the Group's business revenue growth.

In terms of domestic market, China's economy is facing new difficulties and challenges, and there are more risks and hidden dangers in key areas. In particular, there is insufficient room for effective demand in the traditional building construction sector and competition in the market is fierce, bringing considerable pressure on the Group's business growth. In terms of international market, global market falls short of expectation, economic development remains sluggish, there is a clear trend of regionalization and fragmentation of the industrial supply chain, and uncertainty in the international market environment has intensified.

The Group will actively seek opportunities in both domestic and international markets, optimize the allocation of resources, further strengthen internal control and enhance cost control, strengthen the management of trade receivables and collection of old projects to reduce liquidity and credit risks, and enhance the Group's overall competitiveness to cope with the intensifying competition in the industry and market fluctuations. The Group will capitalize on its leading position in the ports, waterways, municipal services and construction industries to consolidate its existing market share through competition or cooperation. At the same time, we will actively explore overseas markets and develop emerging environmental businesses, with a view to injecting new vitality into the sustainable development of the Group and enhancing the rate of return to Shareholders.

Financial Overview

Revenue

The Group's consolidated revenue in 2024 was RMB1,534.2 million, representing a year-on-year decrease of approximately 28.4% from RMB2,143.7 million in the previous fiscal year. The main operation income was divided into marine construction segment and municipal public construction segment during the Reporting Period, with revenue of RMB497.2 million and RMB1,037.0 million, respectively. Revenues from the PRC and Southeast Asia in 2024 were RMB1,376.0 million and RMB158.2 million, respectively. The decrease in revenue in 2024 was mainly due to the slowing down of municipal public construction industry.

Cost of sales and profits from main operations

The consolidated cost of sales in 2024 was RMB1,435.7 million, representing a decrease of 27.1% from RMB1,970.1 million in 2023. The costs of sales of marine construction segment and municipal public construction segment in 2024 were RMB448.6 million and RMB987.1 million, respectively. In 2024, costs incurred in the PRC and Southeast Asia were RMB1,295.6 million and RMB140.1 million, respectively.

Cost of sales mainly consists of the cost of used raw materials and consumables and subcontracting costs. In 2024, cost of used raw materials and consumables and subcontracting costs were RMB835.3 million and RMB504.3 million, representing a decrease of 15.5% and 37.7% from the year 2023 respectively. The operation profit of the Group largely depends on the location and composition of the projects. The Group's consolidated gross profit in 2024 was RMB98.5 million, representing a decrease of 43.2% from RMB173.6 million in 2023.

Net impairment losses on financial assets and contract assets

The Group's provision for loss allowance increased from RMB190.4 million as at 31 December 2023 to RMB238.5 million as at 31 December 2024, which mainly consisted of impairment provision on financial assets and contract assets. For the year ended 31 December 2024, such net impairment losses on financial assets and contract assets were approximately RMB48.3 million, representing a decrease of RMB44.7 million from that of the first half of 2024. In the second half of 2024, the Group strengthened the management of trade receivables and collection of previous projects, and the project trade receivables with specific impairment provision in the municipal public construction segment has also been partially recovered with a clear collection plan put in place. As a result, the net impairment losses as at 31 December 2024 were mainly caused by the increase in general provision due to the challenging economic environment following the longer ageing and increase in expected loss rate, amounting to approximately RMB36.8 million.

We assess the impairment of trade receivables, retention receivables, long-term trade receivables and contract assets individually or collectively.

Individual impaired financial assets and contract assets are related to customers who are experiencing unexpected economic difficulties or under litigation claims. Facing the severe challenges of the current macroeconomic environment and the overall business environment, the operating conditions of certain customers worsened. We expect there will be a longer settlement period and lower recovery amount than the contractual cash flow, therefore we took more prudent view when assessing expected credit loss for our financial assets and contract assets.

Collective impaired financial assets and contract assets have been grouped based on shared credit risk characteristics and the days past due. We use expected credit loss model to measure impairment loss of financial assets and contract assets. We made judgement on and estimate the expected loss rate which is subject to a number of key parameters including the past collection history of customers which are adjusted with reference to forward-looking elements. In particular, the adjustment based on forward-looking elements is heavily dependent on macroeconomic factors and the likelihood of bases, optimistic and pessimistic scenarios, such as expected significant changes in business, financial or economic conditions that may impact the customers' ability to meet its obligation, expected significant changes in the performance and behaviour of customers (including changes in the payment period).

Operating loss

Operating loss in 2024 was RMB48.8 million, representing a decrease of 172.9% from RMB67.0 million operating profit in 2023, mainly due to decline in the gross margin affected by the general poor economic circumstances as well as the increase in the net impairment losses on financial assets and contract assets.

Administrative expenses

The administrative expenses in 2024 were RMB99.2 million, representing an increase of 18.2% compared to RMB83.9 million in 2023, due to additional provision for impairment of investment properties of RMB3.3 million as well as the increase in travelling and entertainment expenses.

Income tax expense

The Group's income tax expense in 2024 was RMB1.2 million, representing an decrease of 93.9% compared to RMB19.8 million in 2023, which was primarily attributable to the decrease of profit before income tax and increase in deferred tax assets caused by the allowance for impairment of financial assets and contract assets, offsetting by not recognizing deferred tax assets on certain subsidiary temporary differences and taxable losses.

Trade and other receivables

The Group's net trade and other receivables increased to RMB1,897.9 million as at 31 December 2024 (as at 31 December 2023: RMB1,800.5 million), which mainly comprised of progress receivables on projects, receivables on project completion, delivery and settlement, and retention receivables on completed projects. The increase of trade and other receivables in 2024 was mainly due to the increase on other receivables, prepayments and retention receivables as domestic and foreign projects progress. The Group has assessed the expected credit losses and has made proper provisions for impairment losses. The Group's contract assets decreased by RMB28.3 million to RMB840.8 million as at 31 December 2024 from RMB869.1 million as at 31 December 2023.

Trade and other payables

The Group's trade and other payables increased to RMB2,277.6 million as at 31 December 2024 (as at 31 December 2023: RMB2,216.9 million), mainly due to the increase in progress payables and retention payables as domestic and foreign projects progress.

Current assets, capital structure and gearing ratio

The Group maintained a healthy liquidity position with net current asset and cash and cash equivalents of approximately RMB192.5 million (as at 31 December 2023: RMB345.8 million) and RMB342.7 million (as at 31 December 2023: RMB255.8 million), respectively as at 31 December 2024. As at 31 December 2024, the Group's restricted cash was approximately RMB144.7 million (as at 31 December 2023: RMB161.0 million). The Group's gearing ratio (calculating by dividing total liabilities by total assets) as at 31 December 2024 was 79.2% (as at 31 December 2023: 76.8%). The Group's bank borrowings as at 31 December 2024 were RMB280.5 million (as at 31 December 2023: RMB203.2 million) which are denominated in RMB and with fixed interest rate.

Foreign exchange

Operations of the Group are mainly conducted in the 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 contracts entered into by and between the Group and its customers; (ii) to settle payments to our suppliers and operating expenses where possible; and (iii) certain amounts of cash and bank balances are dominated in US$. In the event that settlements from the Group's customer are received in a currency other than the Major Currencies, such currency will be retained for payment of operating expenditures when necessary and the remaining amount will be converted to US$ 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. As at 31 December 2024, the Group had no major capital commitments.

Contingent liabilities

As at 31 December 2024, there was one outstanding claim against Watts Gallop Construction. According to the legal advisers for the claim, the scope and criteria of the loss appraisal lack relevance and rationality. The Group expects that the potential liability, legal fees and costs, and interest are not expected to be significant. As such, these legal proceedings individually or in aggregate would not have material financial or operational adverse impact on the Group's consolidated financial statements.

Charges on assets

As at 31 December 2024, the secured long-term bank borrowings of RMB9,500,000 (2023: RMB14,500,000) were guaranteed by Zhejiang Kexin Engineering Materials Co., Ltd., a third party, and were secured by the pledge of long-term trade receivables carrying amount of approximately RMB42,176,000 (2023: RMB40,643,000).

As at 31 December 2024, bills receivables with a total net book amount of RMB20.2 million (as at 31 December 2023: RMB31.7 million) was pledged as collateral for the Group's bank borrowings amounted to RMB20.2 million (as at 31 December 2023: RMB31.7 million).

Material acquisition and disposal of subsidiaries, associates and joint ventures

For the year ended 31 December 2024, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures.

Significant investment held

As at 31 December 2024, the Group had no significant investment or future plans for significant investments or capital assets.

Use of Proceeds

The Group's net proceeds from the Listing was approximately HK$202.9 million. As at 31 December 2024, the utilisation of net proceeds raised by the Group from the Listing is as below:

(HK$ million)

	Original allocation of net proceeds as stated in the Prospectus	First Revised allocation of net proceeds	Second Revised allocation of net proceeds *(Note 2)*	Unutilised as at 31 December 2023	Utilised during the Reporting Period	Unutilised as at 31 December 2024
Funding our capital needs and cash flow under our existing projects in the PRC and Southeast Asia	65.5	21.3	21.3	—	—	—
Purchasing new vessels and construction equipment	35.7	24.5	24.5	—	—	—
Funding the capital needs and cash flow under the Group's port, waterway and marine engineering projects *(Note 1)*	—	44.2	113.0	27.8	27.8	—
Purchasing new vessels and construction equipment and repair and maintenance of vessels and construction equipment *(Note 1)*	—	11.2	11.2	—	—	—
Recruiting talent	13.0	13.0	13.0	—	—	—
Strategic equity investment	68.8	68.8	—	—	—	—
General working capital	19.9	19.9	19.9	—	—	—
Total	202.9	202.9	202.9	27.8	27.8	—

Notes:

1. On 17 December 2020, the Board resolved to (i) change the use of the net proceeds for funding capital needs and cash flow under existing projects in the PRC and Southeast Asia which remains unutilised and approved that such amount of approximately HK$44.2 million shall be reallocated as funding the capital needs and cash flow under the Group's port, waterway and marine engineering projects; and (ii) change the use of net proceeds for purchasing new vessels and construction equipment and approved that the use of such amount of approximately HK$11.2 million shall be expanded as purchasing new vessels and construction equipment and repair and maintenance of vessels and construction equipment. For details, please refer to the Company's announcement dated 17 December 2020.

2. On 15 June 2023, the Board resolved to change the use of proceeds for strategic equity investment which remains unutilised and approved that such amount of approximately HK$68.8 million shall be reallocated as funding the capital needs and cash flow under the Group's port, waterway and marine engineering projects. For details, please refer to the Company's announcement dated 15 June 2023.

During the year ended 31 December 2024, the proceeds raised by the Company from the Listing were utilised according to the intentions previously disclosed by the Company.

Event after the Reporting Period

The Group did not have any significant events subsequent to the Reporting Period.

Biographical Details of Directors and Senior Management

Board of Directors

Our Board currently consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our periodic financial budgets and reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by our Articles of Association.

Executive Directors

Mr. Wang Xiuchun (王秀春), aged 57, was appointed as an executive Director on 9 April 2018, and was appointed as the chairman of the Board on 27 March 2019. Mr. Wang Xiuchun is a distant relative of Mr. Wang Shizhong (王士忠), our non-executive Director. Mr. Wang Xiuchun joined the Group in January 2002 and is primarily responsible for overall management and strategic planning. Mr. Wang Xiuchun is a director of a number of subsidiaries of the Group. From January 1993 to December 1999, Mr. Wang Xiuchun served as a construction engineering team member and project manager at Watts Gallop Construction (formerly known as Fuyang Municipal Engineering Company (富陽市市政工程公司)). From January 2002 to February 2014, Mr. Wang Xiuchun served in various positions in Third Harbor Construction, including manager of the equipment department, administrative deputy general manager, general manager and chairman. During these tenures, he was primarily responsible for production equipment management, administrative and general management, and day-to-day business, management and production operations, respectively. From February 2009 to December 2013, he was also the chairman of Shanghai Watts Gallop Holding Industrial Co., Ltd. (上海華滋奔騰控股集團實業有限公司), where he was primarily responsible for overall management and strategic planning. From January 2014 to August 2017, he was the chairman of Third Harbor Construction, where he was responsible for business planning, development strategies, formulation of major guidelines and policies, and making major business decisions.

Mr. Wang Xiuchun obtained his diploma in industrial and civil architecture from Zhengzhou University (鄭州大學) in the PRC in September 2009 and his diploma in engineering management from Chongqing University (重慶大學) in the PRC in July 2012, both by distant learning.

Ms. Wan Yun (萬雲), aged 46, was appointed as an executive Director on 9 April 2018, and was appointed as the chief executive officer on 27 March 2019. Ms. Wan joined the Group in January 2010 and is primarily responsible for day-to-day business operation and the overall administration. Ms. Wan is a director of a number of subsidiaries of the Group. From July 2002 to June 2006, Ms. Wan was the financial administrator in Fuyang Gallop Real Estate Development Co., Ltd. (富陽奔騰房地產開發有限公司). From January 2006 to December 2009, she served as the secretary to the board of directors of Watts Gallop. From January 2010 to January 2012, she served at Third Harbor Construction as a chief accountant. From January 2012 to February 2018, she was the chief financial officer of Watts Gallop.

Ms. Wan obtained her bachelor of administration with a major in accounting from China Agricultural University (中國農業大學) in the PRC in July 2002.

Mr. Wang Lijiang (王利江), aged 37, was appointed as an executive Director on 9 April 2018. Mr. Wang is also a joint company secretary of the Company. Mr. Wang Lijiang is the nephew of Mr. Wang Shizhong (王士忠), our non-executive Director, the cousin of Mr. Wang Likai (王利凱), our executive Director, and also the son of Mr. Wang Shiqin (王士勤), a controlling shareholder of the Company. Mr. Wang Lijiang joined the Group in March 2014 and is primarily responsible for accounting and financial management. From November 2010 to March 2014, Mr. Wang Lijiang undertook several positions at Eastern Communications Co., Ltd. (東方通信股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600776), including senior specialist of the strategic investment department, secretary to the president and overseas manager of the financial equipment department. From March 2014 to December 2016, Mr. Wang Lijiang worked as the manager of the material and equipment department and the assistant to the chairman of Third Harbor Construction, primarily responsible for material purchase and equipment management. From January 2016 to February 2018, he was the executive assistant to the chief executive officer, manager of the human resources administration department and secretary to the board of directors at Jiangsu Watts Energy & Engineering Co., Ltd. (江蘇華滋能源工程有限公司) (formerly known as Jiangsu Watts Offshore & Engineering Co., Ltd. (江蘇華滋海洋工程有限公司)). From February 2016 to February 2018, he also served as the secretary to the board of directors of Watts Gallop.

Mr. Wang Lijiang obtained his bachelor of arts with a major in English (international trade) from the Hefei University of Technology (合肥工業大學) in the PRC in June 2009 and a master's degree in international marketing and entrepreneurship from the University of Essex in England in November 2011.

Mr. Wang Likai (王利凱), aged 32, was appointed as an executive Director on 18 June 2020. Mr. Wang Likai is the son of Mr. Wang Shizhong, our non-executive Director. He is also the cousin of Mr. Wang Lijiang (王利江), our executive director and the joint company secretary, and the nephew of Mr. Wang Shiqin (王士勤), a controlling shareholder of the Company. Mr. Wang Likai joined the Group in May 2020 and is primarily responsible for management of personnel and integration of resources of the Group. Mr. Wang Likai is a director of a number of subsidiaries of the Group. From May 2017 to June 2020, Mr. Wang Likai was the chairman and general manager of Shanghai Watts Property Management Co., Ltd.* (上海華滋物業管理有限公司). From August 2017 to April 2020, he served as an executive director and general manager of Shanghai Ziguang Property Management Co., Ltd.* (上海滋廣物業管理有限公司). From October 2018 to April 2020, he was an executive director and general manager of Shanghai Watts Medical Technology Co., Ltd.* (上海華滋醫療科技有限公司). Mr. Wang Likai has been an executive director and general manager of Shanghai Watts Gallop Holding Industrial Co., Ltd* (上海華滋奔騰控股集團實業有限公司) since July 2017 and a director of Jiangsu Watts Energy & Engineering Co., Ltd* (江蘇華滋能源工程有限公司) since February 2018.

Mr. Wang Likai obtained his Bachelor of Arts degree from the University of California, Irvine in the United States in March 2016.

Non-executive Director

Mr. Wang Shizhong (王士忠), aged 60, was appointed as an executive Director on 20 December 2017, and was re-designated from executive Director to non-executive Director on 18 June 2020. Mr. Wang Shizhong is the father of Mr. Wang Likai, our executive Director, the uncle of Mr. Wang Lijiang, our executive Director and the joint company secretary, the brother of Mr. Wang Shiqin (王士勤), a controlling shareholder of the Company, as well as a distant relative of Mr. Wang Xiuchun, the chairman of the Board and our executive Director. Mr. Wang Shizhong joined the Group in November 2003 and is primarily responsible for advising on strategy and business development of the Group. Mr. Wang is a director of a number of subsidiaries of the Group. From December 1987 to May 2004, Mr. Wang held several positions at Watts Gallop Construction (formerly known as Fuyang Municipal Engineering Company (富陽市市政工程公司)), including general manager and chairman. From May 2004 to December 2007, Mr. Wang was the chairman of Third Harbor Construction. Since November 2003, he has been the chairman of Watts Gallop and Zhejiang Watts Gallop Real Estate Development Co., Ltd. (浙江華滋奔騰房地產開發有限公司) (formerly known as Zhejiang Gallop Real Estate Development Co., Ltd. (浙江奔騰房地產開發有限公司)).

Mr. Wang obtained his diploma in water supply and sewerage from Zhejiang Radio and Television University (浙江廣播電視大學) in the PRC in July 1987.

Independent Non-executive Directors

Mr. Sun Dajian (孫大建), aged 70, was appointed as our independent non-executive Director on 19 October 2018. Mr. Sun is also the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee. From September 1988 to July 1989, Mr. Sun served as a teaching assistant at Shanghai University of Finance and Economics (上海財經大學). From May 1990 to April 2017, Mr. Sun successively served as a certified accountant at Dahua Accountants Firm (大華會計師事務所), the deputy chief accountant, the chief accountant and the financial director at Shanghai Yaohua Pilkington Glass Group Co., Ltd. (上海耀華皮爾金頓玻璃股份有限公司, a glass manufacturer listed on the Shanghai Stock Exchange (stock code: 600819)), and a certified public accountant at the Shanghai branch of Zhongxinghua Certified Public Accountants LLP. (中興華會計師事務所 (特殊普通合夥)). From May 2017 to present, Mr. Sun has been working as a certified public accountant at Shanghai New JaHwa CPAs (上海新嘉華會計師事務所有限公司).

Mr. Sun is an independent director of MEGA P&C Advanced Materials (Shanghai) Company Limited (麥加芯彩新材料科技(上海)股份有限公司, stock code: 603062), a company listed on the Shanghai Stock Exchange. In the past three years, Mr. Sun was a supervisor of Zhejiang Haers Vacuum Containers Co., Ltd. (浙江哈爾斯真空器皿股份有限公司, stock code: 002615), a company listed on the Shenzhen Stock Exchange.

Mr. Sun obtained his bachelor in accounting from Shanghai University of Finance and Economics (上海財經大學) in July 1983.

Mr. How Sze Ming (侯思明), aged 48, was appointed as an independent non-executive Director on 19 October 2018. Mr. How is also the chairman of the Remuneration Committee of the Company and a member of each of the Audit Committee and the Nomination Committee. Mr. How has over 21 years of experience in investment banking and business assurance industries. Mr. How had worked for several renowned investment banks with PRC background, including Southwest Securities (HK), CMB International, ICBC International and CCB International, and has provided an array of financial advisory services to many companies listed on the Stock Exchange.

Mr. How is currently an independent non-executive director of Huashi Group Holdings Limited (華視集團控股有限公司, stock code: 1111), a company listed on the Stock Exchange. In the past three years, Mr. How was an independent non-executive director of 1957 & Co. (Hospitality) Limited (stock code: 8495), World-Link Logistics (Asia) Holding Limited (環宇物流(亞洲)控股有限公司, stock code: 6083) and Ruicheng (China) Media Group Limited (瑞誠(中國)傳媒集團有限公司, stock code: 1640), all of which are listed on the Stock Exchange.

Mr. How graduated from The Chinese University of Hong Kong in Hong Kong with a bachelor of business administration in December 1999. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Wang Hongwei (王洪衛), aged 57, was appointed as an independent non-executive Director on 19 October 2018. Mr. Wang is also the chairman of the Nomination Committee of the Company and a member of each of the Audit Committee and the Remuneration Committee of the Company. Since 1996, Mr. Wang Hongwei has been teaching at Shanghai University of Finance and Economics (上海財經大學), successively served as the head of the investment department, the deputy director of the post-graduate department, the assistant to the principal and the director of the research office. Since June 2004, Mr. Wang Hongwei has been the vice principal of Shanghai University of Finance and Economics (上海財經大學). From August 2013 to May 2016, Mr. Wang Hongwei was the dean of Shanghai Finance University (上海金融學院). From June 2016 to August 2018, Mr. Wang Hongwei was a professor at Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院). Since August 2018, Mr. Wang Hongwei has been a professor at Shanghai University of Finance and Economics (上海財經大學).

Mr. Wang Hongwei is an independent director of Shanghai New Huang Pu Industrial Group Co., Ltd. (上海新黃浦實業集團股份有限公司, stock code: 600638), a company listed on the Shanghai Stock Exchange. Over the past three years, Mr. Wang was an independent director of Elegant Home-Tech Co., Ltd. (愛麗家居科技股份有限公司 stock code: 603221), Bank of Hangzhou Co., Ltd. (杭州銀行股份有限公司, stock code: 600926) and Shanghai Shimao Co., Ltd. (上海世貿股份有限公司, stock code: 600823), which are listed on the Shanghai Stock Exchange.

Mr. Wang Hongwei obtained his PhD degree in agricultural resources economics and land utilisation management from the Nanjing Agricultural University (南京農業大學) in the PRC in June 1996.

Senior Management

Mr. Ye Sheng (葉盛), aged 44, was appointed as our chief financial officer on 27 March 2019. Mr. Ye joined the Group in June 2018 and has over 16 years' experience in auditing and finance industries. Mr. Ye is a director of a number of subsidiaries of the Group. Prior to joining the Group, Mr. Ye served at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所 (特殊普通合夥)) from August 2003 to May 2018, and PricewaterhouseCoopers LLP Australia from September 2012 to August 2014 as a senior manager of Audit and Assurance.

Mr. Ye obtained his bachelor's degree in management with a major in accounting (international accounting) from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2003. He is also a certified public accountant in the PRC.

Ms. Wang Huina (王慧娜), aged 45, was appointed as the general manager at Watts Gallop Construction on 1 March 2018, primarily responsible for the day-to-day business operations of Watts Gallop Construction. Ms. Wang joined Watts Gallop Construction in February 2003 and held several positions in Watts Gallop Construction, including manager of the general management department, assistant to general manager, deputy general manager and general manager.

Ms. Wang obtained a diploma in computer and application from Hangzhou Normal College (杭州師範學院) in July 2002. She obtained a diploma in business administration (online education) from Southwest University of Science and Technology (西南科技大學) by distant learning in June 2005.

Joint company secretaries

Mr. Wang Lijiang (王利江), an executive Director, was appointed on 9 April 2018 as one of the joint company secretaries of the Company.

Ms. Zhang Xiao (張瀟) was appointed as one of the joint company secretaries of the Company on 28 August 2019. Ms. Zhang Xiao is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. She has over 12 years of experience in the field of corporate secretaries.

Ms. Zhang Xiao obtained a bachelor's degree in computer science from The Chinese University of Hong Kong in Hong Kong in 2010, a master's degree in corporate governance from Hong Kong Metropolitan University in Hong Kong in 2018 and a master's degree in accountancy from Hong Kong Baptist University in 2024. She is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

Report of the Directors

The Board is pleased to present its annual report and the audited financial statements of the Group for the year ended 31 December 2024.

Principal place of business and principal activities

The Company is a leading port, waterway, marine engineering and municipal public engineering services provider in the PRC and is committed to the services of (i) port infrastructure, (ii) waterway engineering, (iii) construction of public infrastructure within cities, (iv) urban greening, and (v) construction of buildings.

Our principal place of business and headquarters in the PRC are located at 5/F, Tower 17, 2816 Yixian Road, Baoshan District, Shanghai, the PRC. Our principal place of business in Hong Kong is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

Business review and results

The Group's business review for the year is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. The Group's future business development discussion is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. The key financial performance indicators used in the Group's performance analysis for the year are set out in the section headed "Five Year Financial Summary" of this annual report. The Group's results for the year ended 31 December 2024 are set out in the section headed "Consolidated Statement of Comprehensive Income" of this annual report.

Dividend policy

The Company has formulated a dividend policy, pursuant to which the Board reserves power to declare and distribute dividends to the Shareholders of the Company as and when appropriate. In considering whether to declare dividends or not, the Board shall also consider operations results, cashflows, financial position, statutory and regulatory restrictions, future development, business strategies, and any other factors that the Board may consider relevant.

Final dividend

Having considered the dividend policy, in particular, the need to maintain sufficient cash flow for daily operation and expansion, the Board has resolved not to recommend payment of any dividend for the year ended 31 December 2024 (2023: HK$1.02 cents (equivalent to approximately RMB0.92 cent) per share, representing total amount of approximately HK$8,419,000 (equivalent to approximately RMB7,630,000)).

Closure of Register of Members

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Thursday, 19 June 2025 to Tuesday, 24 June 2025, both days inclusive, during the period no transfer of Shares shall be registered. All transfer documents accompanied by the relevant certificates and transfer forms must be lodged with the Company's share registrar 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 not later than 4:30 p.m. on Wednesday, 18 June 2025.

Major customers, suppliers and subcontractors

For the year ended 31 December 2024, our revenue generated from our top five customers was less than 30% of our total revenue for the same period.

For the year ended 31 December 2024, purchase from our largest supplier amounted to approximately RMB292.3 million, representing approximately 20.4% of our total cost of sales, while purchases from our top five suppliers amounted to approximately RMB468.5 million, representing approximately 32.6% of our total cost of sales.

During the year ended 31 December 2024, to the knowledge of the Directors, none of the Directors, their close associates, or Shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the number of issued Shares) had interests in the five largest suppliers or customers or subcontractors of the Company.

Backlog of our projects

During the year ended 31 December 2024, we completed 376 contracts with original contract value of RMB2,440.1 million and we also entered into 358 new contracts with original contract value of RMB2,471.9 million. As of 31 December 2024, we have 104 contracts on hand with original contract value of RMB6,168.5 million and aggregate value of RMB2,521.1 million in our backlog.

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2024 are set out in Note 14 to the consolidated financial statements of this annual report.

Subsidiaries

Particulars of the names, principal activities and places of operation, places of incorporation/establishment and issued and paid-in share capital of the principal subsidiaries of the Company as of 31 December 2024 are set out in Note 13 to the consolidated financial statements of this annual report.

Financial summary

A summary of the Group's published financial information for the latest five financial years is set out on page 194 under the section headed "Five Year Financial Summary" of this annual report. The summary does not form part of the consolidated financial statements.

Financial statements

The financial position of the Group for the year ended 31 December 2024 and the financial position of the Group on that date are set out in the consolidated financial statements of this annual report.

The discussion and analysis of the Group's performance for the year and the major factors affecting our results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report.

Share capital

Details of the movements in the share capital of the Company for the year ended 31 December 2024 are set out in Note 23 to the consolidated financial statements of this annual report.

Distributable reserves

Details of the movements in the reserves of the Group during the year ended 31 December 2024 are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report. As of 31 December 2024, the Company's share premium reserve which available for distribution, calculated in accordance with the provision of the Companies Act amounted to RMB265.4 million. Under the Companies Act, the share premium account of the Company is distributable to the Shareholders of the Company provided that immediately following the date on which the dividend, if any, is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Directors

The table below sets out the Directors as at the date of this annual report:

Name	Age	Position	Date of appointment as a Director
Mr. Wang Xiuchun (王秀春) *(Notes 1, 2)*	57	Chairman & executive Director	9 April 2018
Ms. Wan Yun (萬雲)	46	Executive Director & chief executive officer	9 April 2018
Mr. Wang Lijiang (王利江) *(Notes 1)*	37	Executive Director	9 April 2018
Mr. Wang Likai (王利凱) *(Notes 1, 2)*	32	Executive Director	18 June 2020
Mr. Wang Shizhong (王士忠) *(Notes 1, 2, 3)*	60	Non-executive Director	20 December 2017
Mr. Wang Hongwei (王洪衛)	57	Independent non-executive Director	19 October 2018
Mr. How Sze Ming (侯思明)	48	Independent non-executive Director	19 October 2018
Mr. Sun Dajian (孫大建)	70	Independent non-executive Director	19 October 2018

Notes:

1. Mr. Wang Shizhong (王士忠) is the father of Mr. Wang Likai (王利凱), the uncle of Mr. Wang Lijiang (王利江) and a distant relative of Mr. Wang Xiuchun (王秀春).

2. 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) confirmed, among other things, (i) they would be actively cooperating with each other and acting in concert with an aim to achieve consensus and concerted action on all major decisions and affairs relating to Zhejiang Benteng Investment Co., Ltd. (浙江奔騰投資有限公司) (which is now known as Shanghai Watts Gallop Holding Group Co., Ltd. (上海華滋奔騰控股集團有限公司)); (ii) when exercising their voting rights at the members', shareholders' and directors' meetings, they would vote unanimously in accordance with the consensus achieved among the parties, save and except for circumstances in which connected transaction is involved and any of them is required to abstain in voting; and (iii) they would act at the direction of Mr. Wang Shizhong (王士忠) if an unanimous vote could not be reached.

3. Mr. Wang Shizhong (王士忠) has been designated from executive Director to non-executive Director with effect from 18 June 2020.

The Company has received the annual confirmation of independence signed by each independent non-executive Director in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

In accordance with Article 109(a) of the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Ms. Wan Yun, Mr. Wang Hongwei and Mr. Sun Dajian will retire by rotation at the 2025 AGM and be eligible to offer themselves for re-election as Directors.

Board of directors and senior management

Biographical details of the Directors and senior management of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Directors' service contracts

Each of our executive Directors, other than Mr. Wang Likai, has entered into a service contract with the Company for an initial period of three years commencing on the Listing Date and thereafter continue on a month to month basis, subject to retirement by rotation in accordance with the articles of association of the Company.

Mr. Wang Likai has entered in to a service contract with the Company as an executive Director for a fixed term of three years commencing from 18 June 2020 and thereafter continue on a month to month basis, subject to retirement by rotation in accordance with the articles of association of the Company.

Mr. Wang Shizhong, the non-executive Director, has entered into an appointment letter with the Company for a fixed term of three years commencing from 18 June 2020 and thereafter continue on a month to month basis, subject to retirement by rotation in accordance with the Articles.

Each of our independent non-executive Directors has entered into a new appointment letter with the Company for a fixed term of three years commencing from 19 November 2024.

None of the Directors who are proposed for re-election at the 2025 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' interests in transactions, arrangements or contracts of significance

Save as disclosed below in the section headed "Connected Transactions" and "Related Party Transactions" in Note 33 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the Reporting Period.

Management contract

For the year ended 31 December 2024, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

Employees and remuneration policies

As of 31 December 2024, the Group had a total of 472 employees. All employees have been paid remuneration in accordance with relevant laws and regulations in China, Indonesia, Malaysia and Brunei. The Group pays appropriate salary and bonuses with reference to actual practice. Other related benefits include pensions, unemployment insurance and housing allowances. The staff costs, including Directors' emoluments, of the Group were approximately RMB66.6 million for the Reporting Period (2023: approximately RMB71.7 million).

The Remuneration Committee has been established to provide recommendations to the Board on the overall remuneration policy and structure of the 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.

Remuneration to the Directors and the five highest paid individuals

Details of the remuneration to the Directors and the five highest paid individuals are set out in Notes 36 and 9 to the consolidated financial statements.

The senior management's total remuneration paid/payable for the year ended 31 December 2024 (including all executive Directors) by band is as follows:

Band	Number of senior management for the year ended 31 December 2024
Nil to RMB1,000,000	4
Over RMB1,000,000	2

Change in information of Directors

Pursuant to Rule 13.51B(1) of the Listing rules, change in information of Directors subsequent to the date of the interim report of the Company for the first half of 2024 is set out below:

Mr. How Sze Ming (侯思明), an independent non-executive Director, has resigned as an independent non-executive director of World-Link Logistics (Asia) Holding Limited (環宇物流(亞洲)控股有限公司, stock code: 6083), a company listed on the Stock Exchange with effect from 31 October 2024.

Save as disclosed above, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As of 31 December 2024, 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 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 C3 to 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 Likai (王利凱)[(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	
	Interest held jointly with another person	104,324,869	
		419,792,836	50.86%
Ms. Wan Yun (萬雲)	Beneficial owner	26,825,444	3.25%
Mr. Wang Lijiang (王利江)	Beneficial owner	16,508,000	2.00%

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 of 31 December 2024.

3. HuaZi Holding Limited is beneficially and wholly owned by Mr. Wang Shizhong. By virtue of the SFO, Mr. Wang 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. By virtue of the Acting-in-concert Confirmation, Mr. Wang Shizhong (王士忠), Mr. Wang Xiuchun (王秀春) and Mr. Wang Likai (王利凱) are deemed to be interested in each other's interest in the Shares.

Save as disclosed above, as of 31 December 2024, none of the Directors and chief executive of the Company had 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 under Part XV of the SFO, or 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 C3 to the Listing Rules.

Substantial shareholders' interests and short positions in shares and underlying shares

As of 31 December 2024, 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	
	Interest held jointly with another person	315,467,967	
		419,792,836	50.86%
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%
HZ&BT Development Holding Limited	Beneficial owner	143,542,720	17.39%

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 of 31 December 2024.

3. HuaZi Holding Limited is beneficially and wholly owned by Mr. Wang Shizhong (王士忠). By virtue of the SFO, Mr. Wang 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 Codes on Takeovers and Mergers and Share Buy-backs). As such, each of them is deemed to be interested in each other's interest in the Shares.

5. 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.

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 31 December 2024, none of the Directors 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.

Directors' rights to purchase shares or debentures

Save as disclosed in this annual report, at no time during the year under review had any of the Directors or any of their spouses or children under the age of 18 been granted any right to purchase Shares or debentures of the Company to obtain interests or exercised any relevant rights; neither the Company nor any of its subsidiaries was a party to any arrangement that would enable the Directors or any of their spouses or children under the age of 18 to obtain any relevant rights of any other entity corporations.

Pension scheme

The Group operates post-employment schemes via defined contribution pension plans. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contribution. Details of the pension scheme undertaken by the Group are set out in Note 37.19 to the consolidated financial statements.

Purchase, sale or redemption of 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 (including sale of treasury shares). As at 31 December 2024, the Company did not hold any treasury shares.

Share Option Scheme

The Company adopted the Share Option Scheme pursuant to the written resolutions of the then Shareholders on 19 October 2018. From 1 January 2024, the Company relied on the transitional arrangements provided for share schemes and complied with the new Chapter 17 of the Listing Rules accordingly (effective from 1 January 2023). Set out below is a summary of the Share Option Scheme.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to motivate Eligible Persons (as set out below) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Participant of the Share Option Scheme

The Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of the Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group (an "**Employee**"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (an "**Executive**"), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group, or a close associate of any of the foregoing persons (together, the "**Eligible Persons**" and each an "**Eligible Person**").

3. Duration

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date. However, the Shareholders in general meeting may by resolution at any time terminate the Share Option Scheme. Upon the expiry or termination of the Share Option Scheme as aforesaid, no further share option shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All share options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.

The remaining life of the Share Option Scheme is approximately three years and eight months until 19 November 2028.

4. Grant of Share Options

On and subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within the period of the Share Option Scheme to offer the grant of any share option to any Eligible Person as the Board may in its absolute discretion select, and on acceptance of the offer, grant such part of the share option as accepted to the Eligible Person.

Subject to the provisions of the Share Option Scheme, the Board may in its absolute discretion when offering the grant of a share option impose any conditions, restrictions or limitations in relation thereto in addition to those set out in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Share Option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the share option in respect of all or some of the Shares which the share option relates shall vest.

An offer of the grant of a share option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within the period specified in the letter containing the offer of the grant of the share option. Once such acceptance is made, the Share Option shall be deemed to have been granted and to have taken effect from the offer date.

5. Maximum number of Shares available for Subscription

The maximum number of Shares to be issued upon exercise of all share options which may be granted under the Share Option Scheme (and under any other share option schemes) shall not in aggregate exceed 10% of the Shares in issue immediately after completion of the Placing and as at the Listing Date (i.e. not exceeding 82,540,000 Shares) (the "**Scheme Mandate Limit**"), provided that the Company may at any time as the Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, except that the maximum number of Shares to be issued upon exercise of all share options which may be granted under the Share Option Scheme (and under any other share option schemes of the Company) shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders in general meeting where such limit is refreshed. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, and lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes or exercised options under the said schemes of the Company) shall not be counted for the purpose of calculating the limit as refreshed.

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme (and under any other share option schemes of the Company) shall not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon exercise of the share options granted to any one Eligible Person (including exercised and outstanding share options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of share options to such Eligible Person would result in the Shares issued and to be issued upon exercise of all Share Options granted and which may be granted to such Eligible Person (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. The applicable requirements of Rule 17.03(4) of the Listing Rules shall be complied with.

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 82,540,000 Shares, which represents 10% of the issued Shares (excluding treasury shares, if any) as at the date of this report.

6. Exercise period and vesting period

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period to be determined and notified by the Board to each grantee.

7. **Subscription price of Shares**

The subscription price in respect of any particular share option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant share option (and shall be stated in the letter containing the offer of the grant of the share option) but the subscription price shall not be less than whichever is the highest of:

(1) the nominal value of Share;

(2) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(3) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date. The subscription price shall also be subject to adjustment in accordance with the terms of the Share Option Scheme.

8. **Maximum number of Shares per grantee who is a core connected person**

Each grant of share options to a Director, chief executive or substantial Shareholder of the Company or any of their respective associates under the Share Option Scheme shall be approved by independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the share options). Where any grant of share options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the securities issued and to be issued upon exercise of all share options already granted and which may be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(1) representing in aggregate over 0.1% of the Shares in issue; and

(2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of share options must be approved by the Shareholders. The Company shall send a circular to the Shareholders containing the information required under Rule 17.04 of the Listing Rules. The relevant Eligible Person, his associates and all core connected persons of the Company shall abstain from voting at such general meeting. Any vote taken at the meeting to approve the grant of such share options must be taken on a poll.

Other details of the Share Option Scheme are set out in the Prospectus.

No share option has been granted by the Company under the Share Option Scheme since the Listing Date and up to the date of this report.

Share award scheme

On 24 March 2020, the Company has adopted a share award scheme (the "**Share Award Scheme**") to, among other things, recognise the contributions of the eligible persons of the Share Award Scheme and motivate them to strive for the future development and expansion of the Group. The Board has subsequently resolved to amend the rules of the Share Award Scheme to delete the provisions of allowing the Board to allot and issue new Shares, therefore future grant of awards will be satisfied by existing Shares to be acquired by the trustee in the market only. Set out below is a summary of the Share Award Scheme.

1. Purpose of the Scheme

The purpose of the Share Award Scheme is to recognise the contributions by the eligible persons in order to incentivise them to remain with the Group, and to motivate them to strive for the future development and expansion of the Group.

2. Grant of Award

The Board may, from time to time, select any eligible person to be a selected participant and, subject to the scheme rules, grant an award to such selected participant during the award period. In determining the selected participants, the Board or the committee of the Board or person(s) to which the Board has delegated its authority may take into consideration matters including the present and expected contribution of the relevant selected participant to the Group.

Where any grant of an award is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, prior approval from the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of the grant of an award) shall be necessary and the Company shall comply with such provisions of the Listing Rules as may be applicable.

3. Restrictions on Grant

No award shall be made to any selected participant and no directions or recommendations shall be given to the trustee with respect to a grant of an award under the Share Award Scheme:

(a) where dealings by Directors of the Company are prohibited under any code or requirement of the Listing Rules or any applicable laws, rules or regulations;

(b) after an event involving inside information in relation to affairs or securities of the Company has occurred or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information has been publicly announced in accordance with the applicable laws and the Listing Rules;

(c) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results;

(d) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results; and

(e) in any circumstances which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

4. Maximum Number of Shares to be Granted

The total number of the award Shares underlying all grants made pursuant to the Share Award Scheme shall not exceed in total 10% of the Company's entire issued share capital as of the adoption date (the "**Scheme Limit**") without the Shareholders' approval.

As at the date of this report, the total number of Shares available for issue under the Share Award Scheme is 82,540,000 Shares, which represents 10% of the issued Shares (excluding treasury shares, if any) as at the date of this report.

5. Satisfaction of Awards

The Company shall transfer to the trust the necessary funds and instruct the trustee to acquire Shares through on-market transactions at the prevailing market price, so as to satisfy the award. The Company shall not instruct the trustee to acquire Shares through on–market transactions at the prevailing market price, where such action (as applicable) is prohibited under the Listing Rules, the SFO or other applicable laws from time to time.

Subject to the rules of the Share Award Scheme, the Company may at any time and from time to time at its sole and absolute discretion instruct the trustee to acquire the Shares at a maximum price for the purpose of the Share Award Scheme and the Shares so acquired shall be kept for the time being in the pool of the trust fund as reserve for the future grant of the award Share to the selected participants in accordance with the rules of the Share Award Scheme, provided that at no point during the award period shall the trustee hold 5% or more of the total issued share capital of the Company at the relevant time.

6. Vesting of Award Shares

The Board or the committee of the Board or person(s) to which the Board delegated its authority may from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award Shares to be vested. The Board or the committee of the Board or person(s) to which the Board delegated its authority may either (a) direct and procure the trustee to release from the trust the award Shares to the selected participants by transferring the number of award Shares to the selected participants in such manner as determined by them from time to time; or (b) to the extent that, at the determination of the Board or its delegate(s), it is not practicable for the selected participant to receive the award in Shares solely due to legal or regulatory restrictions with respect to the selected participant's ability to receive the award in Shares or the trustee's ability to give effect to any such transfer to the selected participant, the Board or its delegate(s) will direct and procure the trustee to sell, on-market at the prevailing market price, the number of award Shares so vested in respect of the selected participant and pay the selected participant the proceeds in cash arising from such sales based on the actual selling price of such award Shares.

7. Voting Rights

Neither the selected participants nor the trustee may exercise any of the voting rights in respect of any award Shares that have not yet vested.

8. Assignment or Transfer of Award

Any award granted under the Share Award Scheme but not yet vested are personal to the selected participant and shall not be assignable or transferable and no selected participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any such award, or enter into any agreement to do so.

9. Alteration of the Scheme

Subject to the Scheme Limit and compliance with the rules of the Share Award Scheme, the Share Award Scheme may be altered or varied in any respect by a resolution of the Board, provided that no such alteration shall operate to affect adversely any subsisting rights of any selected participant unless prior consent is obtained from such selected participant(s) or otherwise in compliance with the rules of the Share Award Scheme.

10. Duration and Termination

Unless terminated earlier as determined by the Board in accordance with the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for the period commencing on its adoption date, and ending on the business day immediately prior to the 10th anniversary of the adoption date (after which no further awards will be granted), and thereafter for so long as there are any non-vested award Shares granted hereunder prior to the expiration of the Share Award Scheme, in order to give effect to the vesting of such award Shares or otherwise as may be required in accordance with the terms of the Share Award Scheme. Following the settlement, lapse, forfeiture or cancellation (as the case may be) of the last outstanding award made or can be made under the Share Award Scheme, the trustee shall sell all the Shares remaining in the trust, if any, as agreed between the trustee and the Company, and remit all cash and net proceeds of such sales and other funds remaining in the trust, after making appropriate deductions in respect of all disposal costs, expenses and other liabilities in accordance with the trust deed to the Company.

The remaining life of the Share Award Scheme is five years.

Since the adoption date of the Share Award Scheme to 31 December 2024, no share award was granted, exercise, expired or lapsed and there is no outstanding share award under the Share Award Scheme.

The number of Shares that may be issued in respect of options and awards granted during the year ended 31 December 2024 under all schemes of the Company divided by the weighted average number of Shares in issue is nil.

Continuing connected transactions

For the year ended 31 December 2024, the following transactions of the Group constituted continuing connected transactions.

Non-exempt continuing connected transactions

(1) 2024–2026 Master Procurement Agreement

Reasons for entering into the Master Procurement Agreements and its pricing policy

On 20 December 2023, the Company as purchaser and Watts Gallop as vendor entered into the 2024–2026 Master Procurement Agreement (the "**2024–2026 Master Procurement Agreement**") in respect of the procurement of raw materials and other consumables relating to production and operation of the Group (the "**Raw Materials**") from 1 January 2024 to 31 December 2026. 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 Mater 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 master procurement agreement entered into on 7 April 2021 between the same parties, 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 year ended 31 December 2024, 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 have no reliance on Watts Gallop Group.

The transactions contemplated under the 2024–2026 Master Procurement Agreement have been and 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).

Annual caps

The annual caps for the transactions contemplated under the 2024–2026 Master Procurement Agreement are approximately RMB9.0 million, RMB9.0 million and RMB9.0 million for the three years ended/ending 31 December 2024, 2025 and 2026, respectively.

For the year ended 31 December 2024, the amount in respect of the transactions under the 2024–2026 Master Procurement Agreement was approximately RMB7.3 million.

Implications under the Listing rules

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 70.52% 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 the applicable percentage ratio (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 0.1% but less than 5%, the 2024–2026 Master Procurement Agreement was subject to the reporting, announcement and annual review requirements, but was exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(2) Contractual Arrangements

Reasons for the Contractual Arrangements

We are primarily engaged in the port, waterway and marine engineering business in the PRC and Southeast Asia. Pursuant to the relevant Indonesian laws and regulations, the maximum foreign ownership in a company that engages in port infrastructure is limited to 67%. As of 31 December 2024, we directly held 67% equity interests in Benteng Indonesia. To consolidate control over and derive the economic benefits and risks from the remaining 33% equity interests in Benteng Indonesia, we have entered into contractual arrangements with PTPB (the "**Contractual Arrangements**").

Risk relating to the Contractual Arrangements

The Company believes the following risks are associated with the Contractual Arrangements. Further details are set out on pages 54 to 56 of the Prospectus.

- There is no assurance that the Contractual Arrangements will be considered to be in compliance with the relevant laws and regulations of Indonesia in the future.

- We rely on the Contractual Arrangements to control and obtain economic benefits from Benteng Indonesia, our operating entity in Indonesia, which may not be as effective in providing operational control as direct ownership.

- There are limitations when we exercise our rights to demand for and effect the transfer of the 33% shareholding in Benteng Indonesia under the Contractual Arrangements.

- The Indonesian shareholders as borrowers under the Contractual Arrangements may have conflicts of interest or disputes with us, which may materially and adversely affect our business.

- The Contractual Arrangements may be subject to scrutiny of tax authorities of Indonesia and additional tax may be imposed if there is any change in laws or change in the interpretation of laws or regulations by the tax authorities of Indonesia in the future.

- We do not have any insurance coverage to cover our risks relating to our Contractual Arrangements in Indonesia.

The Company's management works closely with its external legal counsels and advisors to monitor the regulatory environment and developments in Indonesia laws and regulations to mitigate the risks associated with the Contractual Arrangements.

Particulars and principal activities of Benteng Indonesia

Benteng Indonesia is a company incorporated under the laws of Indonesia on 16 September 2016, which is currently held as to 67% by Engineering Prosper and 33% by PTPB under the Contractual Arrangements.

Benteng Indonesia's main business is in the port, waterway and marine engineering industry.

Summary of main terms of the Contractual Arrangements

Below is a summary of main terms of the Contractual Arrangements. For details, please refer to the section headed "Trust and Contractual Arrangements" of the Prospectus.

1. A cooperation agreement was entered into between PTSP and Third Harbor Construction, pursuant to which we formed Benteng Indonesia to engage in the port and waterway construction business (the "**PTSP Cooperation Agreement**");

   Third Harbor Construction, PTSP and PTPB then entered into a first novation to the PTSP Cooperation Agreement on 26 April 2018 which was retroactively effective as at the date of 23 August 2017 (the "**PTPB Cooperation Agreement**");

   Engineering Prosper, PTPB and Third Harbor Construction entered into a second novation to the PTPB Cooperation Agreement on 26 April 2018;

2. A loan agreement was entered into among PTPB, PTSP and Third Harbor Construction, pursuant to which we agreed to provide a loan to PTPB in the sum of USD330,000 (the "**PTPB Loan**") for the purpose of investing into Benteng Indonesia (the "**PTPB Loan Agreement**");

   A new loan agreement was entered into between Engineering Prosper and PTPB on 26 April 2018 after the assignment of the receivables in the PTPB Loan Agreement from Third Harbor Construction to Engineering Prosper;

3. A pledge of shares agreement was entered into among PTPB, Third Harbor Construction and Benteng Indonesia, pursuant to which PTPB pledged its 330,000 shares, representing 33% equity interests in Benteng Indonesia, to Third Harbor Construction (the "**PTPB Pledge of Shares Agreement**");

   A new pledge of shares agreement was entered into among PTPB, Engineering Prosper and Benteng Indonesia on 26 April 2018 after the termination of the PTPB Pledge of Shares Agreement;

4. An assignment of rights to dividends agreement was entered into among PTPB, Benteng Indonesia and Third Harbor Construction, pursuant to which PTPB agreed to assign the rights to receive dividends on the 330,000 shares owned by PTPB to Third Harbor Construction (the "**PTPB Assignment of Rights to Dividends Agreement**");

   A new assignment of rights to dividends agreement was entered into among PTPB, Engineering Prosper and Benteng Indonesia on 26 April 2018 after the termination of the PTPB Assignment of Rights to Dividends Agreement;

5. An option agreement was entered into between PTPB and Third Harbor Construction, pursuant to which PTPB agreed to grant an option to Third Harbor Construction to purchase the 330,000 shares owned by PTPB in Benteng Indonesia (the "**PTPB Option Agreement**");

   A new option agreement was entered into between Engineering Prosper and PTPB on 26 April 2018 after the termination of the PTPB Option Agreement;

6. A power of attorney to sell was entered into between PTPB and Third Harbor Construction, pursuant to which PTPB agreed to grant a power of attorney to Third Harbor Construction to sell the 330,000 shares owned by PTPB in Benteng Indonesia (the "**PTPB Power of Attorney to Sell**");

   A new power of attorney to sell was entered into between Engineering Prosper and PTPB on 26 April 2018 after the termination of the PTPB Power of Attorney to Sell (the "**Engineering Prosper Power of Attorney to Sell**");

7. A power of attorney to vote was entered into between PTPB and Third Harbor Construction, pursuant to which PTPB agreed to grant a power of attorney to Third Harbor Construction to vote in the shareholders' meeting to represent the 330,000 shares owned by PTPB in Benteng Indonesia (the "**PTPB Power of Attorney to Vote**"); and

   A new power of attorney to vote was entered into between Engineering Prosper and PTPB on 26 April 2018 after the termination of the PTPB Power of Attorney to Vote.

Significance of business activities of Benteng Indonesia to the Company

Pursuant to relevant laws and regulations in Indonesia, the maximum foreign ownership in a company conducting business in the port, waterway and marine engineering industry in Indonesia is limited to 67%. In order to quickly establish our presence in Southeast Asia and/or to comply with all relevant local laws and regulations, we incorporated Benteng Indonesia by entering into the Contractual Arrangements with our local parties.

Revenue and assets

The revenue, profit for the year and total assets subject to the Contractual Arrangements are set out as follows:

	Year ended 31 December 2024 ***RMB in million***
Revenue	**86.2**
Profit for the year	**4.4**

	As of 31 December 2024 ***RMB in million***
Total assets	**213.6**

For the year ended 31 December 2024, the revenue and profit for the year subject to the Contractual Arrangements amounted to approximately 5.6% and -6.4% of the revenue and profit for the year of the Group. As of 31 December 2024, the total assets subject to the Contractual Arrangements amounted to approximately 6.4% of the total assets of the Group.

During the year ended 31 December 2024, no dividends or other distributions have been made by Benteng Indonesia to PTPB.

The extent to which the Contractual Arrangements relate to requirement of applicable laws, rules and regulation other than foreign ownership restriction

As disclosed in the Prospectus, the Company's Indonesian Legal Advisers, after taking reasonable enquiries and due diligence have confirmed that the Contractual Arrangements comply in fact and in good faith with all relevant laws and regulations in Indonesia.

Material change in the Contractual Arrangements

Save as otherwise disclosed in the Prospectus and this report, the Contractual Arrangements have not been supplemented or modified since the date of execution of all such Contractual Arrangements.

Unwinding the Contractual Arrangements

In the event that Indonesian law allows the foreign shareholders to directly hold more than 67% of the interest in an Indonesian company that is engaged in construction services, Engineering Prosper can exercise its power under the Engineering Prosper Power of Attorney to Sell and sell certain PTPB's shares in Benteng Indonesia to Engineering Prosper or to any member of the Group to the extent permissible under such Indonesian law and/or regulation.

In the event that Indonesian law allows the foreign shareholders to directly hold 100% of the interest in an Indonesian company that is engaged in construction services, we will unwind the Contractual Arrangements as soon as possible, including Engineering Prosper exercising its power under the Engineering Prosper Power of Attorney to Sell, and sell the entire PTPB's shares in Benteng Indonesia to Engineering Prosper or to any member of the Group, so that Benteng Indonesia will become the wholly-owned subsidiary of the Group.

No consideration would be payable by Engineering Prosper or any member of the Group to PTPB in the unwinding of the Contractual Arrangements mentioned above.

Implications under the Listing Rules

PTPB directly held 33% equity interests in Benteng Indonesia, a subsidiary of the Company, and therefore is a connected person of the Company under Rule 14A.07(1) of the Listing Rules upon Listing. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Waiver from the Stock Exchange

The Company has applied for, and the Stock Exchange has granted a waiver to the Company from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) the requirement of setting a maximum aggregate annual value (i.e. an annual cap) in relation to the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, subject to certain conditions as detailed in the section headed "Connected Transaction" of the Prospectus.

(3) 2023–2025 Master Construction Services Agreement

Reasons for entering into the 2023–2025 Master Construction Services Agreement and its pricing policy

On 7 December 2022, the Company as service provider and Watts Gallop as service recipient entered into the 2023–2025 Master Construction Service Agreement (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, which was approved by the independent Shareholders at the extraordinary general meeting held on 2 February 2023. 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 (the "**Engineering Construction Services**").

The transactions contemplated under the 2023–2025 Master Construction Service 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 Service 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 Service 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 create synergies such as more effective communication and higher work efficiency, while also reduce the administrative procedure and cost of the Group during the bidding process and less credit risk when collecting receivables.

The Board considers that the terms of the transactions contemplated under the 2023–2025 Master Construction Service Agreement and the proposed annual caps are fair and reasonable and on normal commercial terms or better, the 2023–2025 Master Construction Service Agreement was entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

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 of the project based on scope of work, service nature, size, duration, cost of raw materials and subcontractors, and complexity, etc.

Annual caps

The annual caps for the transactions contemplated under the 2023–2025 Master Construction Services Agreement are approximately RMB362.0 million, RMB178.0 million and RMB118.0 million for the three years ended/ending 31 December 2023, 2024 and 2025, respectively.

For the year ended 31 December 2024, the amount in respect of the transactions under the 2023– 2025 Master Construction Service Agreement was approximately RMB77.8 million.

Implication under the Listing Rules

Mr. Wang Shizhong, a non-executive Director and a controlling Shareholder, owned 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 owned an aggregate of 70.52% 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 constituted 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 was subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Confirmation from independent non-executive Directors

The independent non-executive Directors have reviewed the 2024–2026 Master Procurement Agreement, the Contractual Arrangements and the 2023–2025 Master Construction Services Agreement (collectively, the "**CCTs**"), and confirmed that:

(i) the transactions carried out under the CCTs during the year were entered into in the ordinary and usual course of business of the Group;

(ii) the transactions carried out under the CCTs during the year were entered into on normal commercial terms or better;

(iii) the transactions carried out under the CCTs during the year were entered into according to the agreement governing them and on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(iv) the transactions carried out under the Contractual Arrangements during the year have been entered into in accordance with the relevant terms and conditions of the Contractual Arrangements and any Cloned Arrangements (as defined in the section headed "Connected Transactions" in the Prospectus) such that the revenue generated by Benteng Indonesia and any other Indonesian subsidiary(ies) under the Cloned Arrangements have been mainly retained by the Group;

(v) no dividends or other distributions have been made by Benteng Indonesia and any other Indonesian subsidiary(ies) under the Cloned Arrangements to the holders of its remaining shareholding interests which are not otherwise subsequently assigned or transferred to the Group; and

(vi) no new contracts were entered into, renewed or reproduced by the Group under the Cloned Arrangement during the year.

Letter from the Company's independent auditor

PricewaterhouseCoopers, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers has issued its unqualified letter containing its finding and conclusion in respect of the continuing connected transactions disclosed by the Group on pages 32 to 41 of this annual report in accordance with Rule 14A.56 of the Listing Rules.

Related party transactions

The related party transactions undertaken during the year ended 31 December 2024 are set out in Note 33 to the consolidated financial statements, among which, the continuing connected transactions as set out in items (a)(i) to (a)(iv) also constituted continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules. The Company has complied with all applicable disclosure requirements as set out in Chapter 14A of the Listing Rules.

Pre-emptive right

There are no provisions for pre-emptive rights in the articles of association of the Company or the laws of the Cayman Islands applicable to the Company that require the Company to offer new shares on a pro rata basis to existing shareholders.

Non-competition undertakings

On 22 October 2018, each of the Controlling Shareholders entered into a deed of non-competition (the "**Deed of Non-Competition**") in favour of the Company (for itself and on behalf of all members of the Group). According to the Deed of Non-Competition, the Controlling Shareholders (collectively referred to as the "**Covenantors**") have irrevocably and unconditionally, jointly undertaken to the Company (for itself and as trustee of each member of the Group) that (among other things) during the period from the Listing Date to the date when the Shares remain so listed on the Stock Exchange and the Covenantors are individually or collectively with any of their close associates interested directly or indirectly in not less than 30% of the issued share capital of the Company: (i) the Covenantors will not, and will procure their respective close associates (except for the members of the Group) not to compete with the Group, directly or indirectly; and (ii) the Covenantors will procure the Covenantors and/or any of their respective close associates (except for the members of the Group) to give priority referral to the Company of any business investment or other business opportunity that is identified or given to restricted business. The details of the Deed of Non-Competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus. The Company has received confirmations from each of the Covenantors confirming that they have complied with the undertakings under the Deed of Non-Competition during the Reporting Period.

The independent non-executive Directors have reviewed the status of compliance and confirmed that the Controlling Shareholders have complied with all such non-competition undertakings during the Reporting Period.

Directors' interests in competing business

During the year ended 31 December 2024, none of the Directors had any interest in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Contract of significance

Save as disclosed in this annual report, at no time during the Reporting Period had the Company or any of its subsidiaries entered into any contract of significance with the Controlling Shareholders or any of their subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholders or any of their subsidiaries to the Company or any of its subsidiaries.

Compliance with laws and regulations

The Group persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics.

For the year ended 31 December 2024 and up to the date of this annual report, the Company had not been and was not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors which could have a material adverse effect on the Company's operations or financial condition.

Compliance with key regulatory requirements

The Group's business is mainly operated by the Company's subsidiaries located in China, Indonesia, Malaysia and Brunei. Therefore, the establishment and operation of the Group are subject to the relevant laws and regulations of the above jurisdictions. For the year ended 31 December 2024 and up to the date of this annual report, the Group has complied with all relevant laws and regulations of the above jurisdictions in all material respects.

Principal risks and uncertainties

There are certain risks involved in the Group's operation, and set out below are some of the major risks that may materially and adversely affect us:

- Our performance is dependent on the general economic conditions and policies of the port, waterway, marine engineering and municipal public engineering industry in the PRC, especially the policies on public spending on transportation infrastructure projects;

- Our customers pay us by way of progress payments and require performance deposit and retention money, and any delay in progress payments or release of performance deposit and retention money may affect our working capital and cash flow;

- Our business operates under various permits, licences and/or qualifications and the loss of or failure to obtain or renew any or all of these permits or licences may materially and adversely affect our business, results of operations and financial condition;

- Our future gross profit and gross profit margins largely depend on our projects on hand and our ability to secure future sizeable and profitable port infrastructure, waterway engineering and municipal public engineering projects, and failure to secure these projects may materially and adversely affect our business, results of operations and financial condition; and

- Geopolitical risks may materially and adversely affect our business in countries where we operate, especially the Southeast Asian countries.

Environmental policies and performance

The Group sticks to the principle of "green growth, harmonious cooperation and mutual benefits", continuously improves the environmental management system, and strives to protect the environment in production and operation activities. The measures include but not limited to the following:

(i) identifying environmental protection requirements in project tender documents and assessing whether the Group has the capability to meet such requirements;

(ii) taking into consideration the environmental impact in project planning and the design of work method statements;

(iii) equipping all of the Group's vessels with fuel leakage defence equipment for suppressing the spread of floating fuel spills in case of leakage; and

(iv) sorting excavated materials from dredging and excavation works for recycling use or disposal, disposing of the excavated materials at designated dumping area according to the relevant regulations.

The Group strictly complies with the requirements of the Appendix C2 Environmental, Social and Governance Reporting Code to the Listing Rules. For details of the Company's environmental policies and performance, please refer to the Environmental, Social and Governance Report of this annual report.

Equity-linked agreement

Save as disclosed under the sections headed "Share Option Scheme" and "Share Award Scheme" of this annual report, no equity-linked agreements were entered into by the Company during the year ended 31 December 2024 or have subsisted as at 31 December 2024.

Permitted indemnity provision

The Company has purchased appropriate liability insurance for Directors and senior management and the permitted indemnity provisions for the benefit of the Directors and senior management are currently in force.

Charitable donations

For the year ended 31 December 2024, the Group's charitable and other donations were approximately HKD100,000.

Audit Committee

The Audit Committee has discussed with the management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2024.

There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

Sufficiency of public float

Based on information publicly available to the Company and to the best knowledge of the Directors, during the Reporting Period, the Company has maintained sufficient public float required under the Listing Rules.

Auditor

PricewaterhouseCoopers has been appointed as auditor of the Company. PricewaterhouseCoopers shall retire at the conclusion of the 2025 AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the 2025 AGM. PricewaterhouseCoopers has audited the consolidated financial statements of the Company for the year ended 31 December 2024.

By order of the Board
Watts International Maritime Company Limited
Wang Xiuchun (王秀春)
Chairman and Executive Director

Shanghai, 27 March 2025

Compliance with Corporate Governance Code

The Group is committed to maintaining high standard 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 (the "**CG Code**") as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. As of 31 December 2024, the Company has complied with all applicable code provisions under the CG Code.

Corporate Culture

The Company adheres to the corporate spirit of "making progress every day with continuous pursuance and improvement", upholds the corporate mission of "creating value for customers, seeking development for employees, creating benefits for shareholders, and assuming responsibility for the society", and is striving to become a well-known general contracting service provider in the industry.

The Board

Board composition

As of the date of this annual report, the Board comprised eight Directors, including four executive Directors: Mr. Wang Xiuchun (王秀春), Ms. Wan Yun (萬雲), Mr. Wang Lijiang (王利江) and Mr. Wang Likai (王利凱), a non-executive Director: Mr. Wang Shizhong (王士忠) and three independent non-executive Directors: Mr. Wang Hongwei (王洪衛), Mr. How Sze Ming (侯思明) and Mr. Sun Dajian (孫大建). Mr. Wang Xiuchun (王秀春) is the chairman of the Board, and Ms. Wan Yun (萬雲) is the chief executive officer of the Company.

Chairman and chief executive officer

The positions of chairman and the chief executive officer are held separately. Mr. Wang Xiuchun (王秀春) is the chairman of the Board, and Ms. Wan Yun (萬雲) is the chief executive officer of the Company.

The chairman provides leadership and governance for the Board so as to create the conditions required for effective performance of the Board as a whole and effective contribution by individual Director. He also ensures that the Board performs its responsibilities and all key and appropriate issues are discussed by the Board in a timely manner. The chief executive officer has the delegated power to manage the Company and to oversee the activities of the Company.

The biographies of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. Except as disclosed in the above section of this annual report, there is no personal relationship (including financial, business, family or other material or related relationship) between any other Directors and the chief executive of the Company.

Responsibilities

The Board is responsible for supervising the Group's overall management, overseeing the Group's strategic planning, monitoring the Group's business and performance, and exercising other powers and functions assigned by the articles of association of the Company. The Board is also responsible for the development, review and monitoring of the Group's policies and procedures in corporate governance, legal and regulatory compliance, as well as the training and continuing professional development of the Directors and senior management of the Company. The Board also reviews the disclosures of this corporate governance report to ensure compliance with the CG Code.

The Board has assigned the powers and responsibilities of the Group's daily operations, management and administration to the senior management of the Company. The Board regularly reviews the functions and powers delegated to ensure that the assignments are still appropriate. To oversee specific aspects of the Company's affairs, the Board has established three board committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has assigned responsibilities to the Board committees in accordance with their respective scopes of powers and functions.

To ensure that independent views and input are available to the Board, all Board members are individually and independently accessible to the senior management of the Company to perform their duties. If necessary, the Board members may seek independent professional advice to assist the Directors in performing their duties and responsibilities at the expense of the Company. In addition, the Board is represented by sufficient number of independent non-executive Directors which meets the requirement of the Listing Rules. The Board shall conduct annual review of the implementation and effectiveness of such policy to ensure independent views are available to the Board. The Board considers that the current policy to ensure independent views are available to the Board is sufficient and effective.

Independence of independent non-executive Directors

During the Reporting Period, the Company has complied with the requirements for appointment of at least three independent non-executive Directors under Rule 3.10(1) of the Listing Rules and at least one of the independent non-executive Directors have appropriate professional qualification or accounting or related financial management expertise pursuant to Rule 3.10(2) of the Listing Rules.

The Company has also complied with the requirements of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors of which they represent at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that, in accordance with these independence standards, they are independent and can effectively make independent judgments.

Directors' training and professional development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has proper understanding of the Group's operations and businesses. The Company also arranges for a briefing session to the Directors with updates on latest development and changes in the Listing Rules and other relevant regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to perform their duties and responsibilities.

Directors are encouraged by the Company to participate in continuous professional development to develop and update their knowledge and skills.

All Directors have received training regarding compliance with the Listing Rules offered by the agency hired by the Company on 27 August 2024. The individual training record of each Director received for the year ended 31 December 2024 is summarised in the section headed "Number of meetings and Directors' attendance" below.

Board meetings

The Company intends to hold Board meetings regularly, at least four times a year. A notice of a regular Board meeting shall be given to all Directors not less than 14 working days prior to the holding of the meeting, so that the Directors have an opportunity to attend the meeting. The notice also includes the agenda for a regular meeting. A Director may attend a Board meeting in person or appoint another Director in writing to attend a Board meeting on his/her behalf. The Company's joint company secretaries are responsible for preparing and maintaining the documents and records of the Board meetings. The draft and final minutes of each Board meeting and Board committee meeting will be sent to all Directors and committee members (as applicable) for comment within a reasonable period of time after the date of the meeting.

For the year ended 31 December 2024, four Board meetings were held; and one general meeting was convened.

Board committees

The Board is supported by three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each Board committee has clear written terms of reference approved by the Board, covering its responsibilities, powers and functions. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Stock Exchange and the Company.

All Board committees are provided with sufficient resources to perform their duties and responsibilities, including access to independent management or professional advice when necessary.

Audit Committee

The Audit Committee comprises three members, namely Mr. Sun Dajian (孫大建) (Chairman), Mr. How Sze Ming (侯思明) and Mr. Wang Hongwei (王洪衛), and all of them are independent non-executive Directors.

The Audit Committee is mainly responsible for assisting the Board in providing independent advices on the effectiveness of the financial reporting system, risk management and internal control systems, overseeing the audit process, developing and reviewing policies, and performing other responsibilities assigned by the Board.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

For the year ended 31 December 2024, three meetings were held by the Audit Committee and, among other things, the members discussed:

- the audited financial statements of the Group for the year ended 31 December 2023;
- continuing connected transactions of the Group for the year ended 31 December 2023;
- proposed re-appointment of the auditor in 2024;
- risk management and internal control systems and their effectiveness;
- the unaudited financial statements of the Group for six months ended 30 June 2024; and
- the effectiveness of the internal audit function.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. How Sze Ming (侯思明) (Chairman), Mr. Sun Dajian (孫大建) and Mr. Wang Hongwei (王洪衛), all of them are independent non-executive Directors.

The Remuneration Committee has adopted the second model as described in code provision E.1.2(c) of the CG Code (i.e. making recommendation to the Board on the remuneration package of individual executive Director and senior management member). The principal responsibilities of the Remuneration Committee include but not limited to the following: (i) making recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) making recommendations to the Board on the remuneration of Directors and senior management; and (iii) reviewing and approving management's remuneration proposals with reference to corporate goals and objectives of the Board.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

For the year ended 31 December 2024, one meeting was held by the Remuneration Committee and, among other things, the members discussed:

- performance of executive Directors;
- remuneration policy and structure;
- remuneration packages of individual executive Directors and senior management; and
- remuneration of independent non-executive Directors.

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Wang Hongwei (王洪衛) (Chairman), Mr. Sun Dajian (孫大建) and Mr. How Sze Ming (侯思明), and all of them are independent non-executive Directors.

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment and reappointment of Directors and the succession planning for Directors, in particular the chairman and the major executives.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

For the year ended 31 December 2024, one meeting was held by the Nomination Committee and, among other things, the members discussed:

- the structure, size and composition of the Board (including skills, knowledge and experience);
- the independence of independent non-executive Directors; and
- re-election of retiring Directors.

Nomination policy

The Company has established a nomination policy which sets out the selection criteria and nomination procedures for the appointment of Directors. The selection criteria used by the Nomination Committee to assess candidates include reputation, achievements, expertise, industry experience, time available and diversity. The nomination procedures are summarised as follows:

(1) Appointment of Directors

The Nomination Committee identifies individual(s) suitably qualified to become Board members, having due regard to Board diversity policy, and assesses the independence of the proposed independent non-executive Director(s) as appropriate.

a. The Nomination Committee makes recommendation(s) to the Board.

b. The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the Board diversity policy.

c. The Board confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Any individual appointed by the Board to fill a casual vacancy or as an additional member to the Board will be subject to re-election by the Shareholders at the next annual general meeting after initial appointment in accordance with the Company's articles of association.

(2) Re-appointment of Directors

a. The Nomination Committee considers each retiring Director, having due regard to the Board diversity policy and assesses the independence of each retiring independent non-executive Director.

b. The Nomination Committee makes recommendation(s) to the Board.

c. The Board considers each retiring Director recommended by the Nomination Committee having due regard to the Board diversity policy.

d. The Board recommends the retiring Directors to stand for re-election at the annual general meeting in accordance with the Company's articles of association.

The Nomination Committee will review and amend this policy in due course to ensure its effectiveness.

Board diversity

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, gender, age, cultural and educational background, race, professional experience, skills and knowledge and length of service. The Board diversity policy sets out the approach towards achieving diversity of the Board. Pursuant to the Board diversity policy, all Board member appointments will be based on merits and contribution that the selected candidates made. A list of selected candidates will be submitted to the Board. The candidates will be considered against applicable criteria and their benefits to the diversity of the Board. The Nomination Committee will monitor the implementation of the policy from time to time and review the policy as appropriate to ensure the effectiveness of the policy.

During the year ended 31 December 2024, the Nomination Committee has reviewed the size, structure and composition of the Board with due regard to the Board diversity policy and considered that the existing Board composition reflects an appropriate mix of skills, experience and diversity among its members that are relevant to the Company's business model and contribute to an effective Board. All Directors, including the independent non-executive Directors, have contributed a wide range of valuable business experience, knowledge and professionalism to the Board, ensuring its effective and efficient operations. The independent non-executive Directors contribute to the Group and its strategies and policies by providing independent, constructive and informed comments.

The Board currently has one female Director and has therefore achieved gender diversity in respect of the Board. We will strive to enhance our female representation and achieve appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices.

As at 31 December 2024, approximately 79.2% of the Company's workforce (including senior management) was male and approximately 20.8% was female. We will continue to monitor the above-mentioned gender ratio and will aim at achieving a greater gender diversity in hiring all positions across the Group.

Corporate governance functions

The Board is responsible for performing the duties in relation to corporate governance as set out below:

- to develop and review the Company's policies and practices in relation to corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

- to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Board has reviewed the Company's corporate governance policies and practices, Directors' and senior management's training and continuing professional development, the Company's policies and practices in complying with legal and regulatory requirements, compliance with the Model Code for Securities Transactions by Directors of Listed Issuers, and the Company's compliance with the CG Code and its disclosure in the corporate governance report.

Number of meetings and Directors' attendance

The attendance record of each Director at the Board meetings, Board committee meetings and general meetings of the Company held for the year ended 31 December 2024 is set out in the table below:

Name of Director	Board meetings	General meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Training regarding compliance with the Listing Rules
Executive Directors						
Mr. Wang Xiuchun (王秀春)	4/4	1/1	NA	NA	NA	√
Ms. Wan Yun (萬雲)	4/4	1/1	NA	NA	NA	√
Mr. Wang Lijiang (王利江)	4/4	1/1	NA	NA	NA	√
Mr. Wang Likai (王利凱)	4/4	1/1	NA	NA	NA	√
Non-executive Director						
Mr. Wang Shizhong (王士忠)	4/4	1/1	NA	NA	NA	√
Independent non-executive Directors						
Mr. Sun Dajian (孫大建)	4/4	1/1	3/3	1/1	1/1	√
Mr. How Sze Ming (侯思明)	4/4	1/1	3/3	1/1	1/1	√
Mr. Wang Hongwei (王洪衛)	4/4	1/1	3/3	1/1	1/1	√

Remuneration of Directors and senior management

Details of the remuneration of the Directors and senior management are set out in Notes 36 and 33 to the consolidated financial statements in this annual report.

Directors' responsibilities for financial reporting

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended 31 December 2024 which has been mentioned in the independent auditor's report on page 105.

The management has provided to the Board such explanation and information that are necessary to enable the Board to carry out an informed assessment of the Company's consolidated financial statements, which are put to the Board for approval. The Company provides all members of the Board with updates on the Group's performance, status quo and prospects on a regular basis.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

Internal control and risk management

The Company has established risk management and internal control system and has developed policies and procedures that are considered appropriate for our business operations. We will continuously monitor and evaluate our business and take measures to protect the interests of the Group and the Shareholders.

The Board oversees and manages the risks associated with our business. The Audit Committee is responsible for reviewing and supervising our financial reporting process and internal control system. The Group has set up an internal audit department, which assists the Board and the Audit Committee on the ongoing review of the effectiveness of the Group's risk management and internal control system. With the assistance of such department, the Board is at least annually informed of significant risks that may have an impact on the Group's performance. The Board is aware of the fact that such risk management and internal control system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

To improve our corporate governance and prevent future non-compliance, we have adopted a series of internal control policies, procedures and programs designed to provide reasonable assurance for the realisation of goals such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The key points of our internal control system include the following:

- We regularly provide the Directors with the latest information on the Company's performance, status and prospects so that the Board and Directors can perform their responsibilities.
- We adopt different policies to ensure compliance with the Listing Rules, including rules regarding risk management, continuing connected transactions and information disclosure.
- We have implemented an internal control policy on financial management.

- We have implemented a series of internal rules and regulations relating to the business operation, including quality control, sales and marketing, production and procurement, research and development, human resources and information technology systems.

- We have implemented policies on social insurance funds and housing provident funds to ensure compliance with regulations in the future.

- We have implemented procedures on disclosure of inside information, to ensure that any material information which comes to the knowledge of one or more officers should be properly identified, assessed and forwarded to the Board where appropriate.

The Company has established an internal audit function which can be reported directly to the Audit Committee. Internal audit staff will attend annual audit committee meetings to report internal audit matters. In the event that any material internal control deficiencies are identified, the internal audit staff may report directly to the Audit Committee members.

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control and risk management system to safeguard Shareholders' investments and Company's assets, and reviewing the effectiveness of such system on an annual basis.

The Board has reviewed the risk management and internal control system of the Company and its subsidiaries during the year ended 31 December 2024. The Board considers that the existing internal control system is reasonably effective and adequate.

External auditor

PricewaterhouseCoopers has been appointed as an external auditor of the Company. The Audit Committee has been informed of the nature and fees of the audit services conducted by PricewaterhouseCoopers, and it does not consider the services have any adverse effect on the independence of the external auditor. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the auditor.

For the year ended 31 December 2024, the remuneration paid or payable to the Company's external auditor PricewaterhouseCoopers for the auditing and non-auditing services of which it provided to the Group is analysed as follows:

Service type	**Fees paid or payable** *RMB'000*
Auditing services	
Auditing services regarding the Group's 2024 financial statements	1,880
Non-auditing services[1]	—

(1) Non-auditing services mainly represented the professional fees payable by the Group for services relating to the environmental, social and governance reporting support.

Joint company secretaries

Mr. Wang Lijiang (王利江) and Ms. Zhang Xiao (張瀟) act as the joint company secretaries of the Company.

Biographical details of Mr. Wang Lijiang (王利江) and Ms. Zhang Xiao (張瀟) are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Ms. Zhang Xiao (張瀟) serves as an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, and is responsible for advising the Board on corporate governance matters to ensure the compliance with policies and procedures set by the Board, and applicable laws, rules and regulations. Mr. Wang Lijiang (王利江), executive Director and joint company secretary of the Company, is the primary contact of Ms. Zhang Xiao (張瀟) in the Company.

Both Mr. Wang Lijiang (王利江) and Ms. Zhang Xiao (張瀟) have confirmed that they have received not less than 15 hours of relevant professional training as required by Rule 3.29 of the Listing Rules during the year ended 31 December 2024.

Convening of extraordinary general meetings

According to the articles of association of the Company, one or more Shareholders who hold not less than one tenth of the paid-up share capital of the Company entitled to vote at the general meeting on the date of the request, have the right to issue a written request to the Board or the Company's secretary at any time, requiring the Board to convene an extraordinary general meeting to deal with any matters listed in the request. Such meeting shall be held within two months after the request. If within 21 days of such request, the Board fails to proceed to convene such meeting, the requisitionist him/herself may do so in the same manner, and all reasonable expenses incurred by the requisitionist as a result of the failure of the Board to convene such meeting shall be reimbursed to the requisitionist by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Procedures for Shareholders to make proposals at general meetings

Shareholders should follow the procedures set out in the section headed "Convening of extraordinary general meetings" above for putting forward proposals for discussion at general meetings.

Directors' and officers' liability insurance

The Company has arranged Directors' and officers' liability insurance for its Directors and senior management. The insurance covers the corresponding costs, charges, expenses and liabilities for any legal action against them arising out of corporate activities.

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirm that they have fully complied with the relevant requirements set out in the Company's own code of conduct during the Reporting Period.

Communication with Shareholders and investors

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make informed investment decisions. The Board has adopted a Shareholder's Communication Policy since the Listing Date which sets out the Company's commitment to maintaining an effective ongoing dialogue with Shareholders.

The Company maintains the policy of frank communication, and deliver information to Shareholders and investors through various channels: the Company's financial reports (including interim and annual reports); annual general meetings and other extraordinary general meetings that may be convened; as well as by making available on the Company's website all the disclosed information submitted to the Stock Exchange, the Company's communications and other Company's publications.

The annual general meetings provide opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Company and the chairperson of respective Board committees will attend the annual general meetings to answer shareholders' questions.

To promote effective communication, the Company maintains a website www.shbt-china.com, where up-to-date information and updates on the Group's business operations and developments, financial information, corporate governance practices and other information are published and made available for public access.

Additionally, the Shareholders are encouraged to (i) participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalves if they are unable to attend the meetings; and (ii) attend Shareholders' activities organised by the Company, where information about the Company, including its latest strategic plan, products and services will be communicated.

For the year ended 31 December 2024, the Company has reviewed the implementation and effectiveness of the Shareholders' Communication Policy and considered the above-mentioned communication channels between itself and the Shareholders are effective.

Constitutional documents

In order to conform to the core shareholder protection standards set out in Appendix A1 to the Listing Rules, and to make some house-keeping amendments, at a meeting on 7 December 2022, the Board resolved to propose to amend and restate the memorandum and articles of association of the Company.

The proposed amendments to the memorandum and articles of association of the Company were approved by the Shareholders at the extraordinary general meeting held on 2 February 2023. For details, please refer to Appendix II to the circular of the Company dated 11 January 2023 and poll results announcement dated 2 February 2023.

The amended and restated memorandum and articles of association of the Company are available on the websites of the Stock Exchange and the Company.

Investors' relationship

The Company has maintained good corporate transparency and communication with Shareholders and investors through timely announcements and/or other publications. The Company's website provides an effective communication platform to understand the latest developments in the market.

Inquiry to the Board

Shareholders may submit their inquiries to the Board through the headquarters of the Company at 5/F, Tower 17, 2816 Yixian Road, Baoshan District, Shanghai, the PRC (email address: wime@shbt-china.com).

Statement on Report Preparation

SUMMARY

This is the 2024 Environmental, Social and Governance Report (the "**Report**") of Watts International Maritime Company Limited (the "**Company**"), together with its subsidiaries (collectively the "**Group**" or "**we**"). The Report provides a true and objective overview of the activities of the Group in fulfilling their corporate social responsibility, focusing on the disclosure of relevant information in the three major areas of social, environmental and governance ("**ESG**"). For details of the corporate governance of the Group, please refer to the "Corporate Governance Report" of the year.

Reporting Scope

Time coverage: The Report is an ESG report with the reporting period from 1 January 2024 to 31 December 2024 (the "**Reporting Period**"), consistent with the reporting period of financial information of the Group.

Organization coverage: Unless otherwise stated, this Report covers the Group.

Basis for Preparation

The Environmental, Social and Governance Reporting Code (the "**ESG Reporting Code**") as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" and the "**Listing Rules**", respectively).

Reporting Principles

- Materiality: The Report is based on stakeholder research, data analysis and other efforts to identify and address key ESG issues affecting the Group's sustainability, as detailed on page 64 in the Report.

- Quantitative: The Company's quantitative key performance related to ESG has been disclosed in the Report and is detailed in the performance disclosures under each section of the Report.

- Consistency: The indicators used in the Report are as consistent as possible from one reporting period to the next, and if there are changes in the key performance indicators, an explanation of the changes is provided.

- Balanced: The Report reflects objective facts and discloses both positive and negative indicators.

Directors' Declaration

The Board is continuously committed to enhancing the ESG governance framework and risk management to ensure a solid foundation for high-quality sustainable development, proactively fulfilling its social responsibilities, and strengthening communication and collaboration with various stakeholders to promote comprehensive ESG efforts. The Board will report the latest ESG performance results to all stakeholders and is committed to deeply integrating ESG concepts in the strategic development of the Company.

In terms of ESG governance structure, the Company has established a three-tier management system, including the supervisory, management and implementation levels. Under the supervision and management of the Board, the Group's ESG working group is fully responsible for promoting the construction of the ESG system, formulating and improving the ESG objectives to ensure that the relevant system continues to operate effectively. In addition, under the leadership of the Board, the working group will be responsible for the preparation of ESG reports, coordinating internal and external communications, launching ESG training and promoting the implementation of various ESG projects.

In terms of ESG risk management, based on the Company's strategic objectives, ESG risks have been incorporated into a comprehensive risk management framework. By actively integrating ESG concepts with the Company's strategies and operations, the Company has identified and assessed various key ESG issues and corresponding risks, including but not limited to environmental risks, such as resource utilization, pollution control, and climate change response; social risks, such as product quality and safety, and occupational health and safety; as well as governance risks, such as business ethics and anti-corruption, and compliant operations. The identification of these key issues will help the Company to implement ESG risk management more effectively and promote long-term sustainable development.

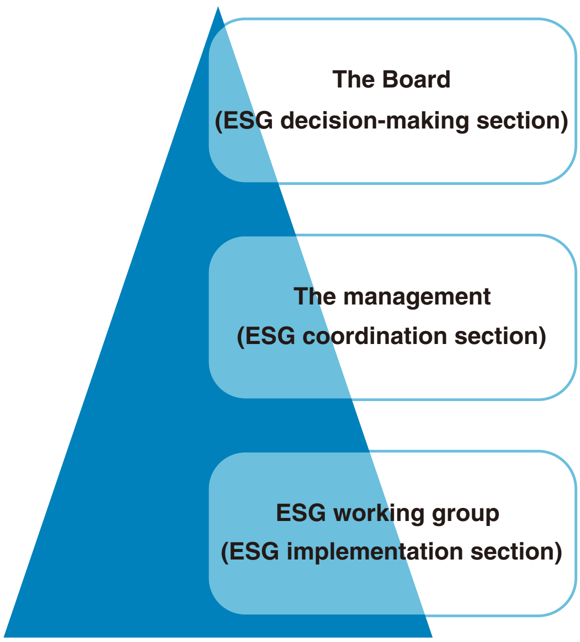
In considering material issues, the Board has thoroughly analyzed and assessed the potential impact of various issues on the Company's sustainable development in accordance with the materiality principle of the Stock Exchange, taking into account the needs and concerns of stakeholders. Through a systematic assessment, the Board has identified a matrix of material issues for the Group in 2024 to guide the Company's long-term strategic development.

ESG Management System

Attaching great importance to ESG management and development, the Company has established a three-tier ESG management structure to clarify the responsibilities and functions of each tier in ESG management. The Board, as the highest governance body of the Company, makes overall decisions on ESG matters of the Group and is responsible for promoting the effective implementation of ESG decisions within the Group at the management level. The management of the Company is primarily responsible for managing the ESG working group to ensure that the Board's ESG strategic objectives are implemented in an orderly manner and reported to the Board on a regular basis. The ESG working group consists of the ESG taskforce leaders and department heads. As the implementation level, it is responsible for promoting and coordinating the implementation of ESG objectives and ensuring that the Group's ESG practices are in line with the strategic objectives.

The well-established ESG management framework ensures that the Company's environmental, social and governance efforts are always in line with the Group's long-term development strategy, providing a strong guarantee for the Company's sustainable development.

ESG Management Structure



- Responsible for the development of ESG objectives, strategies and management policies, and receives regular reports from the management and the ESG working group.
- To regularly study, prioritize and make decisions on major ESG issues of the Group and to review the significant ESG-related risks. This ensures that all risks are effectively managed and monitored.
- To review the implementation of the Group's existing ESG-related objectives, strategies and management policies, and to regularly review the Group's ESG performance and examine and approve the annual ESG report.

- Responsible for arranging the ESG working group to carry out relevant work in accordance with the objectives, strategies and management policies set by the Board.
- To report ESG-related risks and opportunities to the Board, and provides the Board with the annual ESG performance and annual ESG report.

- To carry out daily ESG work and prepare annual ESG report.
- To report to the management on the daily ESG performance and the progress of annual ESG report.

Stakeholders Engagement

Deepening engagement with stakeholders can effectively identify potential risks and reduce operational uncertainty, while at the same time enhancing the Company’s sense of responsibility and trust among the public and the market.

The Company has categorized its stakeholders into six major groups: government and regulators, shareholders and investors, employees, customers, suppliers and business partners, as well as community organizations and the media. The Company always attaches importance to and actively responds to the expectations of all stakeholders. Accordingly, the Group has established a multi-level and multi-channel communication mechanism to maintain close contact with various stakeholder groups to ensure that the core issues of concern to all parties are captured in a timely manner and that their needs and opinions are integrated into the Company's strategic decision-making process. Such communication not only enhances the transparency of and trust on the Company, but also further improves the Company's sustainable development capability, providing a solid foundation for the long-term healthy development of the enterprise.

Stakeholders Engagement Mechanism of the Company

Stakeholder	Issues of concern	Communication and feedback
Government and regulators	• Compliance operation • Corporate governance • Promoting employment and economic development • Tax paying according to the law	• Compliance operation • Work report and communication
Shareholders and investors	• Return on investment and growth • Economic performance and market performance • Transparent and complete information disclosure • Compliance operation	• Improving corporate governance • Holding general meetings • Disclosure of periodic reports and announcements
Employees	• Legal rights and interests of employees • Career development and promotion • Compensation and benefits • Occupational health and safety	• Protecting legal rights and interests of employees • Fair promotion system • Comprehensive compensation system • Ensuring the occupational health and safety of employees • Sound employee communication mechanism

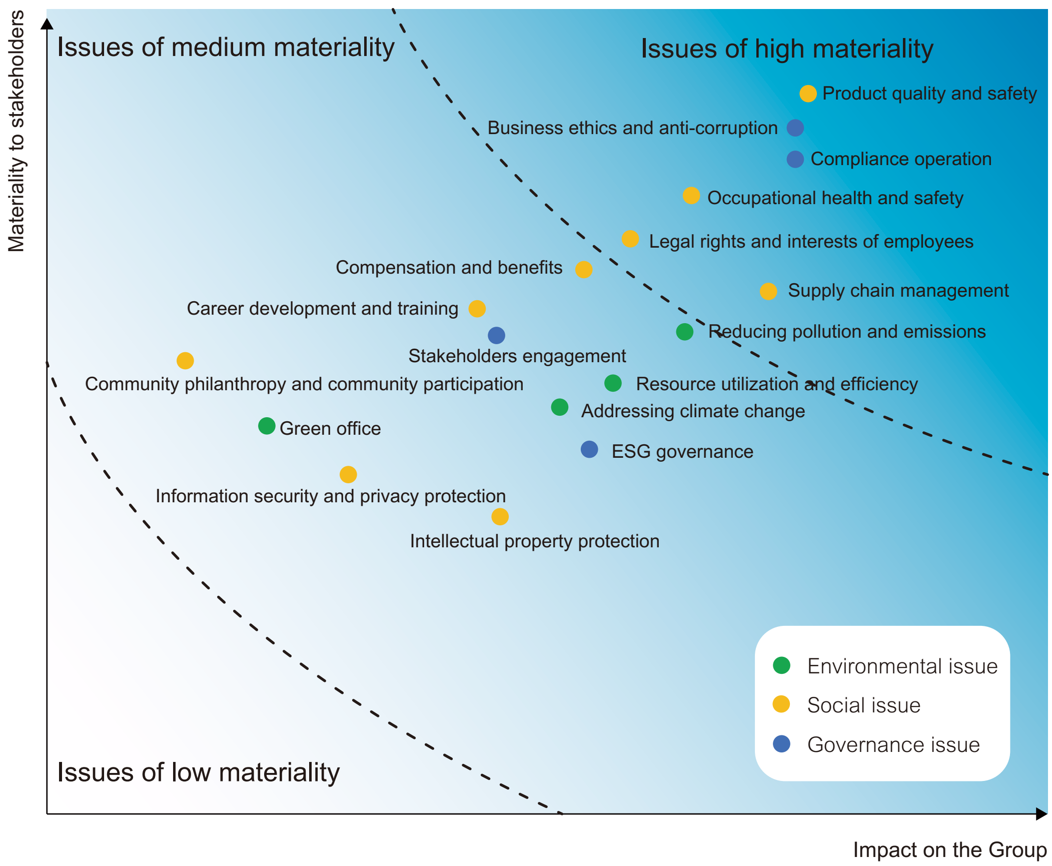
Stakeholder	Issues of concern	Communication and feedback
Customers	• Product quality and safety • Customer service • Business ethics and anti-corruption • Win-win cooperation	• Product safety and quality control • Improving service quality • Regular communication with clients • Integrity training and management
Suppliers and business partners	• Fair and equitable procurement • Sustainable supply chain • Compliance operation • Business ethics and anti-corruption • Win-win cooperation	• Supplier management • Green purchasing • Fulfillment of contracts according to the laws • Regular communication with suppliers • Integrity training and management • Multi-channel cooperation
Community organizations and the media	• Transparent and complete information disclosure • Public benefits and charities • Facilitating the harmonious development of the community	• Launching community support and charity activities • Disclosure of periodic reports and announcements

Analysis of Material ESG Issues

In identifying the material issues for the year, the Group conducted analysis from two dimensions of "impact on stakeholders" and "impact on the Group's sustainable development" according to "materiality" principle of the Stock Exchange. We have benchmarked the international advanced ESG conceptual framework and standards, including the United Nations Sustainable Development Goals (SDGs), the ESG Guidelines of the Stock Exchange, the Sustainability Accounting Standards Board (SASB), etc., based on the reference database of various issues in line with the development strategy of the Company.

After a four-step process of external analysis, internal assessment, identification of issues, and issue validation and verification, the Company has identified its material issues for 2024:

Matrix of Material Issues of the Company for 2024



Governance

The Group has always been committed to the establishment of a sound corporate governance system and regards a standardized governance structure as a key foundation for the sustainable development of the Group. In the ever-changing market environment, the Company enhances the resilience and flexibility of its operations by improving its governance structure, strengthening its decision-making process, enhancing transparency and synergy, and ensuring efficient and clear allocation of authority and responsibilities. In addition, we uphold high standards of corporate ethics, actively promote risk management and compliance management, and strictly enforce anti-corruption policies, in order to ensure that all of our operational activities comply with ethical and legal requirements. Through continuous optimization of the governance process and internal control mechanism, the Company has been strengthening the trust relationship with various stakeholders, laying a solid foundation for the Company's long-term development and creation of sustainable value.

Sound governance system

Upholding the concepts of sound governance and accountability, the Group is committed to continuously improving its governance system and enhancing its effectiveness, so as to ensure that the Company can maintain its efficient operation in the complex and volatile market environment. In accordance with the requirements of laws and regulations such as the Corporate Governance Code, and the ESG Reporting Code of the Stock Exchange, the Company has been continuously improving the corporate governance system by benchmarking against the advanced practices at home and abroad, and has been continuously optimizing its articles of association and the systems. The Company clearly defines the functions and responsibilities of each authority, decision-making body, supervisory body and execution body to ensure clear division of labor, synergy and high efficiency, and to give full play to the role of mutual checks and balances, and on this basis, continuously promotes the enhancement of the efficiency of the Company's management and decision-making, in order to ensure that the decision-making process is transparent and standardized. In addition, the Company has further improved the system related to general meetings in accordance with the Articles of Association, including the processes of convening, chairing and shareholders' proposals, which effectively protects the legitimate rights and interests of minority shareholders and enhances the transparency and fairness of corporate governance.

Diversified Board

The Company attaches great importance to the diversification of the Board and actively promotes diversity and inclusiveness in the composition of the Board to ensure that the Board is able to examine issues from different perspectives and form a more comprehensive and efficient decision-making and supervisory mechanism. This strategy will help enhance the Company's ability to respond to market changes and further strengthen its innovation potential.

The Company has established a sound policy for the nomination of Directors, based on which all candidates for directorships are subject to the scrutiny of the Nomination Committee and recommendation of the Board and are submitted to the general meeting for confirmation. The Board diversity policy is disclosed in strict accordance with the requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, and the Board members are elected in the light of the Company's development strategy and business needs. The principle of nomination of Board members is based on merits, with due consideration given to diversified factors such as gender, race, language, cultural background, educational background, industry experience and professional skills, etc., so as to ensure that the Board has a comprehensive vision and depth in its decision-making. In addition, the Nomination Committee regularly reviews the composition and structure of the Board, assesses the diversity of members and the skills required, and makes reasonable recommendations to the Board to ensure that the governance structure of the Company is aligned with the needs of business development. As of 31 December 2024, the Board had a total of eight members. The inclusion of women on the Board and senior management of the Group further demonstrates the Company's efforts to promote diversity on the Board and the senior management.

ESG Risk Management

Effective management and prevention of ESG risks is the core guarantee for the Company's high-quality development. In 2024, the Company further strengthened the role of ESG risk in the overall risk management framework, optimized and improved the ESG risk management system, and clarified the ESG risk appetite and response strategy. By strengthening the identification, assessment, response and supervision of potential risks in the areas of climate change, policy changes, and environmental, social and governance, we could effectively respond to ESG risks that may affect our business activities, ensure that the enterprise operates under compliance and ethical constraints, and minimize the impact of potential risks on the Company's interests and reputation, so as to provide solid guarantee for the realization of long-term sustainable development.

ESG Risk Management System of the Group

ESG Risk Management Steps	Management Measures
Risk identification	• The Company proactively identifies ESG-related risks through a variety of channels, with a particular focus on risks in the areas of environmental impact, social responsibility and corporate governance. All employees are actively involved in and organized relevant training to ensure that each employee has a sense of responsibility for identifying ESG risks. The Company conducts ESG risk reviews on a regular basis and ensures that potential risk points are identified through project inspections and safe production monitoring.
Risk evaluation	• The management of the Company assesses ESG risk issues, forms a risk working group with relevant departments to conduct joint inspections and assess and analyze the risk events according to the severity of the event and the responsibility of the subject of the event, and report to the Board for decision making.
Risk response	• In view of the identified ESG risks, the relevant matters are summarized and suggestions for management optimization and improvement are put forward to the departments involved.
Risk supervision and reform follow-up	• The risk working group follows up the rectification on a regular basis. We will assess the seriousness of and pursue responsibility for any irregularities found in accordance with the Company’s internal system, giving play to the function of risk warning. We will also analyze the causes of the problems identified and put forward proposals to optimize the management process and management system, so as to continuously improve the ESG risk management system.

Professional Ethics and Anti-corruption

The Group firmly believes that integrity and honesty are the foundation of long-term corporate development and the key to building a good business reputation. In order to ensure that the Company maintains stable operation in the ever-changing market environment, we strictly comply with the relevant laws and regulations of the regions and countries in which we operate, including the Criminal Law of the People's Republic of China, the Tendering and Bidding Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China, etc., and we are committed to the establishment of a more comprehensive governance system and compliance mechanism based on the requirements of a high standard of business ethics. In order to regulate the behavior of Board members after they have become aware of inside information, the Company has formulated the Code of Corporate Governance Practices and Insider Information Disclosure Policy to safeguard the transparency and fairness of all decision-making and information disclosure processes.

In order to maintain a fair, honest and clean operating environment, we have formulated the Corruption Prevention Policy to clearly regulate the business conduct of the Group and its employees in such areas as preventive measures, acceptance of advantages, provision of advantages, hospitality, conflict of interest, education and publicity, as well as reporting, rewarding and punishment. The Company strictly prohibits any form of bribery, extortion, fraud, money laundering and other unlawful acts, and enhances its employees' awareness of compliance and professional ethics through regular training and publicity, in order to ensure that each employee strictly complies with the Company's internal control and integrity requirements in the performance of his/her duties.

In addition, the Group is committed to building harmonious, long-lasting, clean, honest, fair and just business relationships with all stakeholders. To ensure the legitimacy and ethical business standards of our business partners, we will review the backgrounds of potential business partners (including agents, suppliers, customers or other counterparties) to ensure that they have no record of dishonest behavior before commencing any business dealings. In addition, we require business partners to sign the integrity construction agreement, which specifies the ethical and legal standards that each party must comply with in the course of cooperation. Through this series of stringent management measures, we are committed to ensuring that the Company maintains a high degree of transparency and accountability in its day-to-day operations and creates long-term, sustainable value for our shareholders, employees and the society.

The Group recognizes that enhancing the integrity awareness of its employees is the foundation of its anti-corruption efforts. In order to further strengthen the culture of integrity and professional ethics, the Company provides regular anti-corruption training for Board members and employees. As of 31 December 2024, the Company has provided two training sessions for all Directors, senior management and all employees on topics including anti-corruption, clean practices, compliance and legal awareness. Through systematic training, the Company strives to ensure that all employees uphold high standard of integrity and professional ethics in their daily work, thereby supporting the Company's long-term goal of sustainable development.

The Group has a "zero tolerance" attitude towards corruption and bribery in any form. To this end, we have established a public reporting channel in the form of a reporting e-mail and hotline, so that employees or external stakeholders can report to us in the following ways if they are aware of any violation of business ethics related to bribery, extortion, fraud, money laundering, etc.:

- Reporting e-mail: jubao@shbt-china.com

- Reporting hotline: 021–66189006

Once a report is received, we will carry out investigation and deal with it in a timely manner. Where a suspected violation is confirmed after investigation, the employees involved will be subject to disciplinary action, and in serious cases, their appointment/employment will be terminated, and a case file will be opened for review and referred to judicial authorities. For units or individuals who provide investigation clues or evidence which are found to be true, we will give appropriate rewards. At the same time, we endeavour to protect whistleblower information to avoid unfair treatment or retaliation. As of 31 December 2024, there was no corruption lawsuit filed against the Group or its employees.

Environmental

The Group has always adhered to the concept of green development, embedding environmental protection into the core of its corporate development strategy and fulfilling its commitment to sustainable development. In its day-to-day operation, the Group carry out practical and effective measures to optimize the allocation of resources, improve energy efficiency and reduce carbon emissions, in an effort to achieve a harmonious coexistence between its operations and the ecological environment, and is steadfastly moving towards the goals of green operations and environmental protection. Meanwhile, in the face of the severe challenges posed by global climate change, the Group has, taking into account its own business practices, built and improved an advanced climate risk management system, contributing to the development of a low-carbon economy. In terms of environmental protection, the Group, adhering to the principle of "green growth, harmonious cooperation and mutual benefits", strictly complies with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and other laws and regulations of the place of operation. It has established a scientific, standardized and complete environmental management system, and successfully passed the GB/T24001–2016/ISO14001:2015 environmental management system certification. In the course of internal management, the Group has formulated environmental objectives and environmental management plans in a scientific and rational manner in accordance with the Manual for Quality, Environment, Occupational Health and Safety Management and the Measures for Environmental Protection and Pollution Prevention and Control and other systematic documents. The Group has also carried out stringent control and standardized management of waste disposal and emission during the construction process, and continuously enhanced the quality and effectiveness of the operation of the environmental management system. Prior to the commencement of a project, the Group will carry out a detailed identification and comprehensive assessment of the environmental conditions of the construction site and the major pollutants that may be generated by the project in accordance with the Control Procedures for Identification and Assessment of Environmental Factors. The Group's safety management department regularly carries out environmental inspections, handles identified pitfalls of environmental hazards in a timely manner, and urges the relevant responsible parties to rectify the situation within a specified period of time to ensure environmental safety.

In addition, the Group is committed to raising the environmental awareness of all employees and business partners. Through various forms of environmental protection training activities, we promote environmental protection knowledge and concepts among our employees and business partners, and enhance their awareness of energy conservation and environmental protection and their sense of responsibility. We will sign an environmental protection agreement with the business partners to clarify the environmental protection responsibilities and obligations of both parties during the construction process and to jointly promote the implementation of environmental protection work. The Group believes that by continuously strengthening its internal management and external cooperation, and actively spreading the concept of environmental protection, it will play an even greater role in the green and sustainable development of the society and jointly create a better ecological environment.

Environmental Goals and Commitments

- Decrease of GHG emission intensity annually in 2025–2026, **taking 2024 as the base year**;
- Decrease of combined waste emissions (including particulate matter, nitrogen oxides, sulphur dioxide, non-hazardous waste, etc.) annually in 2025–2026;
- Disposal of solid waste in compliance with relevant regulations;
- Decrease of energy consumption density annually in 2025–2026; and
- Decrease of water consumption annually in 2025–2026.

Environmental Performance

Environmental Performance of the Company in the Last Three Years

Indicator	Unit	2022	2023	2024
Greenhouse gas emissions				
Total greenhouse gas emissions	tCO_2e	255.39	272.21	284.31
— Direct greenhouse gas emissions	tCO_2e	166.75	107.39	85.03
— Indirect greenhouse gas emissions	tCO_2e	88.64	164.82	199.27
Greenhouse gas emission density	tCO_2e/person	2.06	2.21	2.05
Emissions				
NO_X emission	kg	675.95	423.85	499.72
SO_2 emission	kg	1.15	0.71	0.84
PM emission	kg	64.77	40.61	47.88
Total non-hazardous waste	kg	13.8	13.6	17.4
Non-hazardous waste density	Ton/person	0.11	0.11	0.13
Energy consumption				
Total energy consumption	MWh	841.22	729.13	734.88
— Total Direct Energy Consumption	MWh	682.02	439.24	465.39
— Total Indirect Energy Consumption	MWh	159.19	289.89	269.49
Energy consumption density	MWh/person	6.78	5.93	5.29
Total water consumption	m^3	1,404.00	1,406.00	545.00
Water consumption density	m^3/person	11.32	11.43	3.92

Notes:

1. The Report only discloses the greenhouse gas emissions generated from the use of gasoline by vehicles owned by the Group's Shanghai and Hangzhou offices and the electricity used by the Shanghai and Hangzhou headquarters. The greenhouse gas emission data is presented in carbon dioxide equivalent, and measured in accordance with the Guidelines on Accounting Methods and Reporting of Greenhouse Gas Emissions from Enterprises — Power Generation Facilities (2021 Revision) issued by the Ministry of Ecology and Environment of the People's Republic of China, and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories published by the Intergovernmental Panel on Climate Change (IPCC).

2. The gasoline and electricity used on the construction sites of the Group are provided by the project owners, therefore, the Group cannot monitor all energy consumption data. As a result, the Report only discloses the emissions of NO_X, PM and SO_2 generated from the Group's vehicles in its gasoline consumption by Shanghai and Hangzhou offices. Emissions are measured in accordance with "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange (the "**KPI Guidance**").

3. Most of the wastewater and non-hazardous wastes on the construction sites are mainly disposed of by the landlords; therefore, the Group cannot monitor all emission data. The Report only discloses figures of the domestic waste generated in the Group's Shanghai and Hangzhou offices.

4. Hazardous waste generated by the Group's office work consist of a small number of waste toner cartridges, waste ink cartridges, etc., and all hazardous wastes are recycled by qualified recyclers, so that only limited impact is exerted on the environment. Therefore, KPI A1.3 (total hazardous waste produced) of the KPI Guidance has not been disclosed in the Report.

5. Most of the gasoline and electricity used in the construction sites of the Group is provided by the landlords, therefore, the Group cannot collect all energy usage data. As a result, the Report only discloses the volume of gasoline used by the vehicles owned by the Group's Shanghai and Hangzhou offices and the electricity used by its Shanghai and Hangzhou offices. The total volume of energy consumption is calculated in accordance with the Chart 1 Default Values of Relevant Parameters for Fossil Fuel in China and Chart 2 Default Values of Fuel Density in the appendices of the Guidelines for the Measuring and Reporting of Greenhouse Gas Emissions for Public Building Operating Enterprises issued by the National Development and Reform Commission.

6. Most of the water used in the construction sites of the Group is provided by the landlords. The Group cannot collect all water usage data. The 2022 and 2023 ESG reports only disclosed the water consumption of the Group's Shanghai and Hangzhou offices. In 2024, only the water consumption of the Hangzhou office area was disclosed in the Report due to the relocation of the Shanghai office area, where the water used in the relocated office area was supplied by the landlord. All the water used by the Group's Shanghai and Hangzhou offices comes from municipal water, which does not involve water resource acquisition.

7. As the Group does not use packaging materials in its operation, KPI A2.5 of the KPI Guidance (total packaging material used for finished products) is not applicable.

Addressing Climate Change

The Company deeply understands that global climate change has extensive and far-reaching impacts on the ecological environment and the engineering fields of ports, waterways, marine engineering and municipal utilities in which the Group is involved. Therefore, the Company has elevated the response to climate change to the core of its corporate development strategy, and with a high sense of responsibility and foresight, it has systematically carried out the identification and assessment of climate-related risks and formulated scientific and effective response strategies.

In dealing with risks, the Company takes actions proactively and adopts precise measures for different types of risks. With regard to physical risks, taking into account the fact that extreme weather conditions, such as typhoons, rainstorms and floods, may seriously disrupt the progress of the projects and impede the transportation of materials, the Company has strengthened the risk-resistant capability of the projects in various aspects, including: optimizing project planning and construction solutions to enhance project stability in inclement weather; monitoring and deploying resources in real time to enhance the flexibility of the logistics supply chain with the help of advanced information technology; and establishing a comprehensive emergency response plan for extreme weather and conducting regular drills to ensure a prompt and effective response to emergencies. Facing the transition risk and under the pressure of compliance costs brought about by the carbon emission reduction policy and energy restructuring, the Company has vigorously pushed forward the upgrading of energy-saving technologies, and promoted high-efficiency energy-saving equipment and processes in all aspects of engineering and construction, so as to minimize carbon emissions. To cope with market and reputation risks, and in view of the rising concern of customers and the market about environmental performance, the Company has always focused on improving the quality of its projects and perfecting its quality control system to ensure that every project meets the high standards of environmental protection requirements; optimized supplier management and joined hands with suppliers with strong environmental awareness and outstanding sustainability capabilities to build a green supply chain, so as to establish a good image as an environmentally friendly enterprise and enhance market competitiveness. Looking ahead, we will continue to improve our climate risk response strategy, strengthen cooperation with governments, industry organizations, research institutions and other parties, and contribute more to the global response to climate change and sustainable development by leveraging our professional strengths.

Identification and Assessment of Major Climate-related Risks and Response Measures of the Group

Risk category	Major climate-related risks	Potential impact	Response action
Physical risk	Extreme weather events (e.g. typhoons, rainstorms, floods, etc.) result in product damage, project delays, and logistics disruptions	Project disruptions, rising operating costs	— Strengthening the risk-resistant capability of the project and improving the standard of emergency management. — Enhancing the flexibility of the logistics supply chain to protect against climate risks. Carrying out identification and validation. — Improving extreme weather risk management measures and contingency plans.
Transition risk	Carbon emission reduction policy and energy structure adjustment increase the compliance cost of enterprises	Increased environmental protection inputs and rising project costs	— Promoting the upgrading of energy-saving technologies to reduce the intensity of carbon emission. — Gradually using clean energy and reducing reliance on fossil energy. — Enhancing resource utilization.
Market and reputation Risks	Customers and the market are increasingly concerned about the environmental performance of products and supply chains	Decline in market competitiveness and risk of customer loss	— Continuous improvement of project quality and optimization of quality control system — Constantly optimizing our supplier management system, selecting environmentally friendly suppliers and building a green supply chain.

Compliant Emission Management

The Group has always regarded environmental protection as a key mission and has maintained a high degree of rigor in the management of emission compliance. We strictly regulate the emission generated during our operation by closely following the Law of the People's Republic of China on Environmental Impact Assessment, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and the Law of the People's Republic of China on Prevention and Control of Noise Pollution, and the relevant regulations on civilized construction management in the places where our operation is carried out.

To ensure the effective implementation of environmental protection measures, we emphasize to strengthen personnel management and supervision. On the one hand, strict requirements are imposed on construction workers to ensure that they understand and comply with the relevant management measures, and environmental protection reminder signs are posted in conspicuous places on the construction sites to strengthen the environmental awareness of construction workers at all times. On the other hand, the responsibilities of the Group's leaders and departments at all levels are responsible for inspection, supervision and guidance of environmental protection. The department of safety and environmental protection supervision, as the main implementation department for environmental protection inspection and control, is responsible for organizing regular environmental inspections and daily inspections. In case a major environmental pollution incident occurs, the Group will immediately set up an incident investigation team to carry out in-depth investigation, scientific analysis and proper handling of the incident in a stringent manner, so as to make every effort to avoid the recurrence of similar incidents. In its past operation, the Group has maintained a good environmental protection record and has not been involved in any major emission-related non-compliance incidents or major environmental pollution accidents.

The Group's emissions are mainly generated from construction activities, comprising of dust and wastewater generated in construction activities, nitrogen (NO_x), sulfur dioxide (SO_2), particulate matters (PM) and other air pollutants from gasoline combustion, and non-hazardous waste such as construction waste and domestic waste. In addition, the noise generated by the operation of construction machinery is also an environmental impact factor that cannot be ignored. In order to effectively control these emissions and reduce their potential negative impact on the environment, we have formulated and implemented the Environmental Protection and Prevention Policy, implement a standardized and accountable management model for all identified emissions and factors that may affect the environment, and continuously follow up on the effectiveness of the management. The Group has formulated specific control measures for various types of emissions as set out below:

Specific Measures of the Environmental Protection and Prevention Policy

Construction dust management	— Before construction, the technical leaders shall give technical instructions or prepare a work instruction manual. — Effective measures shall be taken during the unloading and transportation of cement and other powdery bulk materials; indoor storage or tight cover shall be provided; and a protective shelter shall be set up during on-site mixing. — During construction, the Group has designated persons or equipment for sprinkling water to reduce dust. — Construction waste is categorized and piled up, with specialized personnel responsible for timely removal and appropriate watering.
Sewage discharge management	**Production sewage** — Application for registration of sewage disposal shall be filed with relevant departments. — To categorize the treatment of sewage containing sediment, sedimentation tanks are installed at the outlet of the sewage, which are discharged into the sewers after sedimentation, and the sediments are cleaned up regularly. **Domestic wastewater** — The Group is committed to calling for water conservation. — Domestic wastewater is diverted to the municipal network through dedicated pipelines. — Dumping of chemicals and other pollutants is strictly prohibited.
Solid waste management	— The Group clearly labels different types of solid waste and place them at designated locations. — Hazardous waste is kept in separate closed containers. — When the responsible department disposes of waste, it shall keep statistics on the type, quantity, and direction of disposal. — The Group strictly implements the relevant national, provincial and municipal laws and regulations, and voluntarily accepts the supervision and daily inspection of the municipal environmental protection authorities.
Noise management	— The Group conducts reasonable layout of operating machinery and proper scheduling of construction time. — The use of equipment generating strong noise (e.g. diesel generators, etc.) is prohibited on the construction sites. — If continuous construction work is required, the Group shall, upon pre-approval by the construction department, apply to the environmental protection authorities to obtain relevant permissions before construction work commences.

Air pollutant management	—	The Group promotes low-energy, pollution-free, high efficiency technology, equipment and products.
	—	The Group controls the air pollutant emission during the construction.
	—	Burning of linoleum, linoleum yarn, waste paint, wood and other wastes is strictly prohibited at the construction sites and indoor to avoid causing atmospheric pollution.

Green Operation

In terms of green operations, the Group strictly complies with the Energy Conservation Law of the People's Republic of China, the Water Law of the People's Republic of China and other laws and regulations. On this basis, the Group has firmly established the concept of energy and resource conservation, and has set up a regular assessment mechanism to conduct regular quantitative analysis of the efficiency of energy and resource usage, so as to continuously optimize the allocation of resources and enhance usage efficiency.

In order to achieve the goals of efficient resource utilization and energy saving, the Group has made efforts in both equipment innovation and management optimization. In terms of equipment, we introduce cutting-edge energy-saving equipment after rigorous technical evaluation and cost-benefit analysis. At the management level, we have established a comprehensive resource management system to clarify the responsibilities of each department in resource management, implement refined measurement and monitoring, and grasp the dynamics of resource consumption.

The Group actively promotes the integration of green concept into its entire operation process. Through diversified channels including internal publicity platforms, training courses and cultural activities, we disseminate green office knowledge and practical cases to raise employees' green awareness. Taking Third Harbor Maritime, the Group’s subsidiary, as an example, Energy-saving Signages are placed in the public areas, working areas and conference rooms within the headquarters building, there are concise and eye-catching reminders to guide the employees to standardize the use of electrical appliances and form good energy-saving habits. We wish to gather green development synergy through all these small actions.

Specific Measures for Resource Utilization Management

Energy saving initiatives	**Lighting fixtures upgrade:** — Use LED lighting fixtures, turn on and off lights at will, and reduce lighting electricity consumption. **Air conditioning energy-saving:** — Set reasonably the air conditioning temperature and reduce the electricity consumption of the air conditioning. **Online meeting:** — Try to hold meetings online as much as possible to reduce the consumption of resources by travel. **Equipment renovation:** — Replace old equipments with those "energy-saving, environmentally friendly, and low-carbon" devices. **Monitoring statistics:** — Calculate accurately electricity consumption, establish electricity standards, and strengthen electricity monitoring.
Water conservation initiatives	**Regular inspection** — The maintenance team performs regular maintenance on the equipment and check the water valves to prevent leaking. **Monitoring and statistics** — Keep accurate records of water consumption, setting water consumption standards and strengthen monitoring over exceptional water usage. — Domestic wastewater is diverted to the municipal network through dedicated pipelines. **Water-saving publicity** — Encourage employees to develop the water saving habit through various publicity and posting of signages and reminders.

Typical case of green operation 1: resource-saving publicity

In 2024, the Group launched a variety of publicity activities in its office premises to promote resource conservation. Energy-saving reminders such as “Don't forget to clock in and out of work, please press the switch when leaving the office” and “Turn off the power supply when the last person leaves” were posted at the main entrance, working areas and meeting rooms. These intuitive publicity methods have effectively enhanced employees' awareness of resource conservation, promoted the concept of green office, and helped the Group achieve its sustainable development goals.

Resource-saving publicity posters

Social

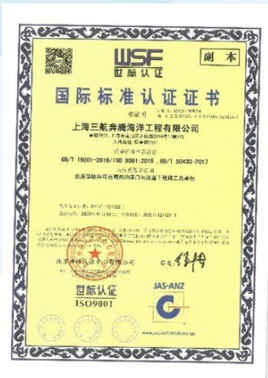
Upholding the core values of “Responsibility, Integrity, Innovation and Win-Win”, the Company actively fulfills its social responsibilities and is committed to promoting sustainable development at all levels. The Company has always regarded social responsibility as an important part of its development strategy, and has integrated the protection of employees' rights and interests, the construction of a responsible supply chain, the provision of high-quality products and services, and giving back to the community into all aspects of its operations. We focus on creating a safe, fair and inclusive work environment for our employees and promoting their growth and well-being. At the same time, we strictly manage our supply chain to ensure that our business partners comply with sustainability and ethical standards, and work together to promote the green transformation of our industrial chain. The Company always adheres to the customer-centered approach and devotes itself to the improvement of product quality and the protection of intellectual property rights to safeguard the interests and trust of customers. We also actively participate in social welfare activities, support education, poverty alleviation, environmental protection and other social causes, and fulfill our corporate social responsibility, in order to contribute to the promotion of social harmony and sustainable development.

Guarantee Project Quality

We are fully aware that project quality control is an important cornerstone in enhancing the core competitiveness and brand influence of the Company. The Company strictly complies with the Construction Law of the People's Republic of China, the Regulations on the Administration of Qualifications of Enterprises in Construction Industry and the Standards for Qualification of General Contracting Enterprises for Construction and other relevant laws and regulations, and has set clear standards to regulate its compliance in operation, quality management, and construction management. Guided by the quality, environmental and occupational health and safety management principles of "scientific management, compliance with rules and regulations, safe production, environmental protection, quality excellence, contract compliance and customer satisfaction", we have formulated internal systems including the Quality, Environment, Occupational Health and Safety Management Manual, which clearly stipulates the management objectives, organizational structure and functional requirements. We have also formulated supporting systems, including the Measures for the Management of Engineering Projects' Technical Quality, the Measures for the Management and Verification of Project Processes, the Rules for Handling Project Quality Incidents, to guide, supervise, inspect and regulate the quality of construction works and related ancillary services, in order to achieve excellence in construction quality, create more high-quality projects, and satisfy customers' needs with excellent service quality.

On the basis of sound institutional safeguards, the Group implements standardized quality management in accordance with the requirements of the international quality management system. In accordance with the Quality Management System (GB/T19001–2016/ISO9001:2015), the Code for Quality Management Of Engineering Construction Enterprises (GB/T50430–2017), the Environmental Management System Requirements and Usage Guidelines (GB/T24001–2016/ISO14001:2015) and the Occupational Health and Safety Management System (GB/T45001–2020/ISO45001:2018) and other international standards, we have established and implemented comprehensive systems of quality, environment, and occupational health and safety management, and obtained certifications for the systems. Under the guidance of this management system, we keep optimizing the construction process to ensure the continuous improvement of construction quality. Our subsidiaries, Shanghai Third Harbor Maritime and Watts Gallop Construction, have obtained a number of first-class engineering qualifications, fully demonstrating our capabilities in the areas of port, waterway, coastal and construction engineering infrastructure.

Quality Control System Certifications Obtained by the Two Principal Subsidiaries of the Group



GB/T19001–2016/ ISO9001:2015 the Quality Management System Certification, GB/T50430–2017 the Code for Quality Management of Engineering Construction Enterprises

GB/T24001-2016/ ISO14001:2015 the Environmental Management System Certification

GB/T45001–2020/ ISO14001:2018 the Occupational Health and Safety Management System Certification

Engineering Qualifications Obtained by the Two Principal Subsidiaries of the Group

Third Harbour Maritime

- Grade I Qualification for General Contracting of Port and Waterway Construction
- Grade I Qualification for Professional Contracting of Port and Coastal Engineering
- Grade I Qualification for Professional Contracting of Foundation Works

Watts Gallop Construction

- Grade I Qualification for General Contracting of Building Construction
- Grade I Qualification for General Contracting of Municipal Public Works Construction

In terms of specific measures, the Group's engineering management department continuously monitors the execution of construction and organizational design of each project department through strict quality control procedures. By identifying and rectifying problems during the construction process in a timely manner, we ensure all issues are properly resolved and recorded for traceability and continuous improvement. Before the delivery of the project, the relevant personnel must complete self-inspection and self-assessment to ensure that the quality requirements are met before the project is delivered to the client for inspection and acceptance. If quality defects are found during the inspection and acceptance process, the responsible department will take corrective action immediately and report to the supervisor. After the delivery of the project, we will also take the initiative to conduct customer visits, listen carefully to customer feedback, and make timely adjustments to optimize our services to ensure that the needs and expectations of our customers are fully satisfied. In order to deeply understand our clients' needs and provide more valuable services, our project team will have real-time communication with our clients on a regular basis to ensure that the project progresses according to the requirements and the comments and suggestions from our clients are responded in a timely manner. The Group has outstanding performance in the engineering fields of ports, waterways, marine engineering and municipal utilities. As of 31 December 2024, the Group has not received any complaints related to the quality of our services, attesting to the high standard of our quality control system and customer service. In order to encourage our employees to actively participate in the continuous improvement and innovation of project quality, we have formulated the Incentive Measures for Projects Quality Wining Award, and provide rewards to projects with provincial and ministerial-level quality engineering awards, as well as projects with outstanding performance in construction work methods and quality management. Meanwhile, we organised quality management seminars regularly to exchange experience among employees, continuously improve the quality management level of the Company and improve the Company’s competitiveness and promote sustainable development. During the Reporting Period, we received several external awards and recognitions in the industry in respect of project quality:

Quality Control Awards and Recognitions

Awarded by	Name of Award	Granting Time
Hangzhou Construction Quality and Safety Supervision Station	• Structural Excellence Award for Hangzhou Construction Projects in the Second Half of 2023	• April 2024
Jinhua Construction Industry Association	• The Achievement Publication Award for the 27th Quality Control Group Activity for Project Construction in Jinhua	• August 2024
Housing and Urban-Rural Development Bureau, Fuyang District, Hangzhou	• Excellent Site for Standardized Management of Construction Safety in Fuyang District, Hangzhou in 2024	• August 2024
Hangzhou Urban and Rural Construction Committee	• Excellent Site for Standardized Management of Construction Safety in Hangzhou in 2024	• November 2024
Housing and Urban-Rural Development Bureau of Jinhua City	• Excellent Site for Standardized Management of Construction Safety in Jinhua in 2024	• November 2024

Responsible Supply Chain

A high-quality and sustainable supply chain system is a key cornerstone for the Company's long-term and stable development. We continues to improve our responsible supply chain management system by formulating and strictly complying with internal management systems, such as the Procurement Management System and the Material Management System, to ensure the regularity, transparency and sustainability of our supply chain activities, and to strengthen compliance and efficiency at all stages from supplier access, procurement process to cooperation assessment. Before cooperating with any supplier, the Company will conduct rigorous risk assessment for in-depth understanding of potential suppliers' qualifications, creditworthiness, and environmental, social, and governance performance through site visits, market research, phone calls and emails. At the time of initial cooperation, the Company and the supplier will confirm the requirements of production qualification, environmental compliance and business ethics, and sign relevant agreements and documents to ensure that the rights and responsibilities of both parties are clear with consistent goal. In order to continuously enhance the compliance and sustainability of the supply chain, the Company conducts regular assessments and evaluations of its suppliers, focusing on reviewing the quality of supplies, prices, delivery schedules, and the fulfillment of environmental and social responsibilities, and proposes suggestions for improvements in areas of deficiency promptly and monitors implementation. Through a systematic, whole-process supply chain management mechanism, the Company has deepened its collaboration with suppliers in terms of compliance and transparency, social responsibility and win-win cooperation, forming a solid partnership and creating a wider scope of mutually beneficial development for the Company and its business partners. In the future, the Company will continue to optimize and upgrade various stages in the supply chain, and continuously improve the overall supply chain management standards through a stringent audit system and a comprehensive training, evaluation and incentive mechanism, so as to help the Company achieve its goal of higher quality development.

Supplier Cooperation Process

Pre-cooperation Survey

- Through on-site visits, market research, telephone consultations, e-mail inquiries and other ways to understand the market environment in which the supplier is located, so as to strengthen the in-depth understanding and insight into the upstream enterprises.

Initial Cooperation

- The Group's business management center conducts background checks on suppliers, including business licences, qualification certificates and material inspection certificates and other supporting documents, which will be included in the "Qualified Supplier Directory" only after they have passed the review.

Regular Evaluation

- Regular annual assessments are conducted in various dimensions such as product quality, service and integrity, pricing, and supply capability, etc. Unqualified enterprises are dismissed in a timely manner to ensure the quality and compliance of the products provided by the supply chain.

Typical case of supplier site visit 1: The business management center organized a production environment visit to some supplier factories.

In April 2024, the business management center organized an inspection of the production environment of some supplier factories, including Gaoyou Changbao Casting Industry Co., Ltd. in Yangzhou City. The Company learned more about the factory's production environment, the manufacturing process of bollards and its environmental protection measures.

Specific measures included adopting sustainable materials to reduce resource consumption, optimizing production processes to enhance waste recycling, using energy-saving equipment to reduce energy consumption and carbon emissions, implementing emission, wastewater and noise pollution controls, providing a safe working environment and regular training for staff, and working with local communities to reduce negative impacts on residents' lives.

Supplier site visit photos

As of 31 December 2024, the Group had 370 suppliers, and no supplier was dismissed due to product safety problems.

In addition to suppliers, subcontractors are also our important partners. To ensure that cooperation is based on the principles of integrity and compliance, the Company has formulated internal systems, including the Evaluation and Management Methods for Qualified Subcontractors and the Management System for Safety Qualifications of Subcontracting Units and Personnel, to carry out risk management and control through standardised management processes. For the subcontractors with whom we cooperate for the first time, we check and review documents such as business licences, enterprise qualification certificates and safety production permits, as well as the qualifications of personnel. The Company will also investigate the subcontractor's reputation, work performance, production and technology management, shareholding structure and other information. If it passes our internal review, we will include it in the list of qualified suppliers. Meanwhile, in order to maintain a high standard of cooperation, the Company conducts annual review of the subcontractors with whom it is working. The review focuses on work quality, construction safety and compliance, and follow up on the progress of improvement after the assessment. Subcontractors with non-compliance records, poor construction performance or with no cooperation record for three consecutive years will be removed from the list of qualified suppliers to ensure the professionalism and stability of our team of business partners.

In terms of sustainable development, the Company incorporates sustainable development factors into the management framework for subcontractors and suppliers, and incorporates requirements for environmental protection, occupational health and safety, and social responsibility into cooperation agreements and daily management processes through multi-dimensional assessment and communication. During the project evaluation and on-site operation stages, the Company will impose stringent environmental, occupational health and safety requirements on its subcontractors, such as requiring them to establish a sound safety management system, implement pollutant prevention and control measures, and properly categorize and dispose of wastes to ensure that the environmental and safety risks are minimized during the construction process. Through continuous cooperation and improvement with suppliers and subcontractors, the Company is committed to building a reliable and responsible supply chain network, providing solid support for the realization of sustainable development goals.

Intellectual Property and Privacy Protection

The Company attaches importance to the protection of intellectual property rights and strictly comply with the Patent Law of the People's Republic of China, the Law of the People's Republic of China on Confidentiality, the Enterprise Intellectual Property Management Standards and other relevant laws and regulations. We have formulated the intangible assets management system to regulate the management of our intangible assets such as patents, trademarks and proprietary technology rights. Through continuous improvement of the relevant system, the Company is committed to safeguarding its legitimate rights and interests and core competitiveness. As of 31 December 2024, the Company has been granted 14 new patents, including three invention patents and 11 utility model patents, demonstrating the Company's continuous progress in technological innovation.

Information security and protection of commercial secrets is one of the key elements in winning the trust of customers and safeguarding corporate reputation. The Company has formulated internal policies such as the confidentiality management and the information system management system, which clarify the responsibilities and obligations of the Company and its employees in respect of the confidentiality of customers and sensitive commercial information. We also carry out hierarchical management of internal information and arrange for specialists to be responsible for the classification, organization and flow control of confidential documents. The Company has signed the confidentiality agreements with relevant newly joined employees and third-party business partners to ensure the security and integrity of the information of customers and the Company from the perspectives of system and compliance. Through these measures, the Company has continuously strengthened its ability to protect intellectual property rights and private information, providing solid protection for the interests of customers and enterprises.

Building a Happy Workplace

The Company deeply understands that employees are not only the core force of enterprise development, but also the best embodiment of the Company's culture and values. Upholding the core concept of "being people-oriented, creating win-win results", the Company keeps stimulating the potential of employees and enhancing team cohesion and innovation through a sound talent cultivation mechanism, rich employee care programs and diversified career development channels. Under the guidance of the corporate culture of "joint creation and sharing", the Company has deeply integrated the protection of employees' rights and interests, health and safety, career growth and welfare care into its daily operation and strategic decisions. We are committed to creating a fair, safe and inclusive working environment for our employees, so that every employee can gain a sense of belonging and happiness here and work together with the Company towards a new level of sustainable development.

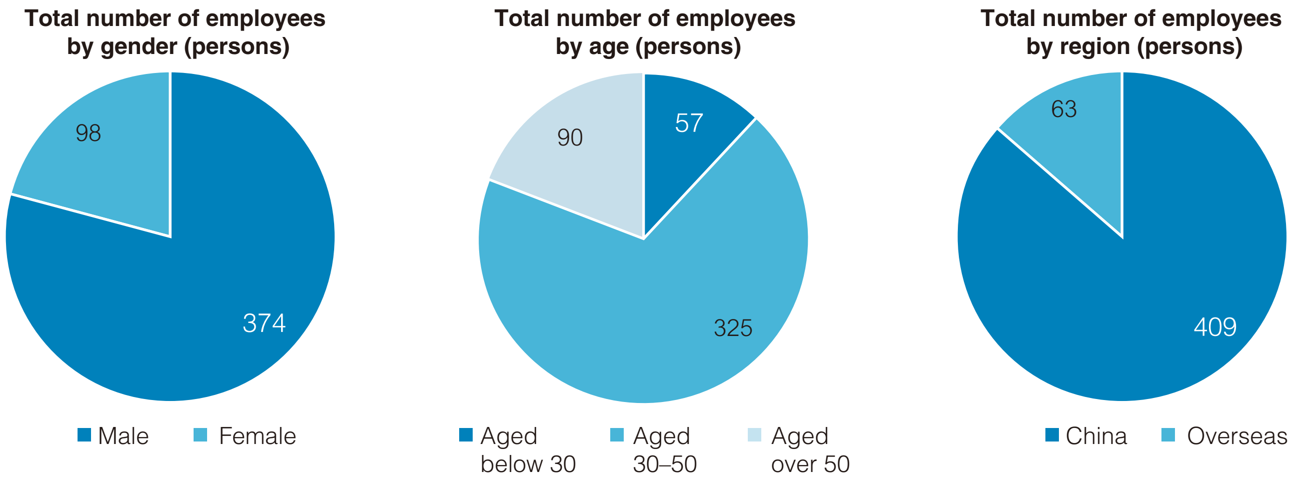
Employment Management

Talent is an important element in promoting corporate development and maintaining competitive edge, and a harmonious workplace environment is conducive to the provision of high quality services to our customers. To safeguard the rights and interests of its employees, the Company strictly complies with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Provisions on Prohibition of Child Labour and other laws and regulations. The Company has put in place internal systems, including the human resource management system, to systematically regulate such links as recruitment, transfer, onboarding and resignation, remuneration, training and leave, and to strive to create a workplace environment that is equal, comfortable, and can provide development potentials for our employees. The Company strictly prohibits restrictions on the career development opportunities of employees based on race, gender, color, age, family background, ethnic tradition, religion, physical fitness or nationality during the recruitment and promotion process. The Company selects talents through various forms including campus recruitment, social recruitment, and internal recruitment according to the principles of openness, fairness, competition, and meritocracy. The Company has established the internal recommendation management system to encourage current employees to recommend suitable talents for the Company. Meanwhile, the Company has signed labour contracts with all employees to specify their rights and obligations including working hours, remuneration packages, welfare protection, to safeguard the legitimate rights of our employees. In terms of employees' data protection, the Company requires that important information of employees, including personnel files, salary, and bonus distribution plans, shall be strictly kept confidential, and disclosure of employees' personal information is strictly prohibited, so as to fully safeguard the security and privacy of employees' personal data. As of 31 December 2024, the Company had no confirmed illegal or irregular incidents and related legal proceedings which was incompliance with the employment and labour standards.

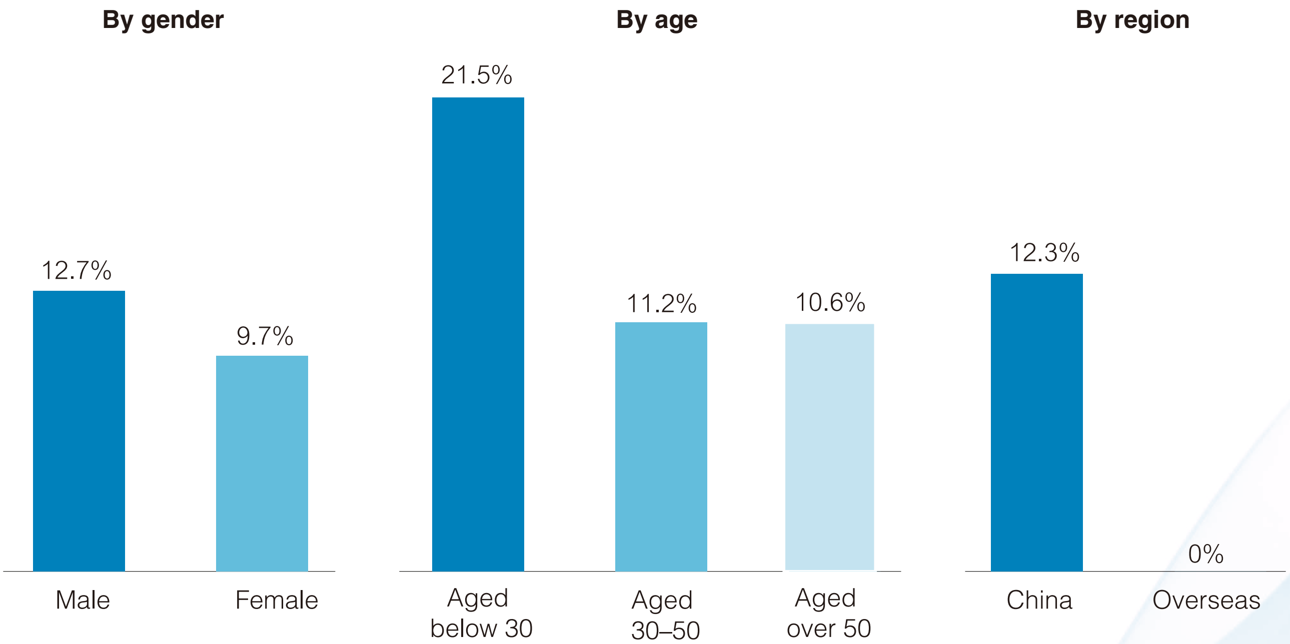
For international deployment, the Company has recruited local talents in Brunei, Indonesia, Malaysia and other overseas regions, and established diversified and localized teams, which not only supported the Company's international business expansion, but also made positive contributions to the local economy and employment rate.

To contribute to social diversity and inclusion, the Company attaches importance to the employment of the disabled, providing them with equal and appropriate job opportunities , and arranging appropriate job responsibilities based on individual abilities and wishes. The Company also provides employees with disabilities with various benefits including medical insurance, vacation system and assistive devices to support their full performance and growth in the workplace. Through a series of efforts, the Company is committed to creating a working atmosphere of respect and care, where every employee can realize his/her personal value and join hands with the Company to move towards sustainable development with higher quality.

As of 31 December 2024, the Group had a total of 472 full-time employees. The detailed data are as follows:



The Group's employee turnover was as follows:



Working Hours and Holidays

The Company understands that reasonable rest and a healthy work rhythm are essential to ensure work efficiency and employee happiness. Therefore, the Company has formulated the attendance and leave management system, which sets out the standard working hours, combined working hours or irregular working hours for different positions. Based on the actual needs of the project department, if there is continuous operation or seasonal weather affecting construction, etc., respective subsidiaries and the project department can flexibly arrange for employees to take leave in accordance with the leave policy of project department. In addition, the Company provides employees with a variety types of leave, including annual leave, personal leave, sick leave, work injury leave, marriage leave, bereavement leave, family planning leave and rescheduled leave, with an aim to maximize the protection of employees' rights to rest and sense of well-being while fulfilling their work responsibilities.

In terms of work arrangement, we encourage employees to be more productive during working hours and minimise unnecessary overtime work. By setting out clear rules for employees' working hours, attendance and leave under the attendance and leave management system and in the labour contract, the Company resolutely resists any form of forced labour. If forced labour is found, employees can report to the local labour inspection institution. We will also take immediate action to investigate and rectify the problem, so as to strictly prevent the occurrence of similar incidents. During the Reporting Period, the Group had no forced labour incident.

Compensation and Benefits

In terms of compensation and benefits, the Company has always taken a proactive approach and conducts comprehensive and in-depth surveys on a regular basis each year. The survey covers the dynamics of market pay levels, changes in job demand and the current remuneration of employees, with the aim of constructing and continuously improving a highly competitive compensation and benefits system. During the Reporting Period, the Company innovatively introduced incentives such as project subsidies, overseas subsidies and semi-annual output bonuses on top of the original remuneration structure, i.e. monthly salary (comprising basic salary, allowance and monthly performance bonus) and annual performance bonus. The implementation of these initiatives has effectively stimulated the enthusiasm of our employees and significantly improved their commitment to work. In addition, in strict compliance with national laws and regulations, the Company actively fulfills its social responsibility, and provides social insurance for all employees in accordance with the law, covering pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund, so as to protect the legitimate rights and interests of employees in all aspects.

The Company attaches great importance to the protection of the rights of migrant workers for subcontracted projects. We sign the commitment on wage payment for migrant workers with our subcontractors and made clear provisions on the process and requirements of payment of monthly wages to migrant workers, so as to dispute in relation to workers' wages and to safeguard the legitimate rights of the migrant workers.

In addition to statutory remuneration and benefits, we also committed to providing employees with diversified benefits and humanistic care, including but not limited to daily allowances to reduce burden of their daily life, health care activities to promote physical and mental health of employees, women's benefits to reflect the special care for female employees and holiday gift packages to convey the warmth and blessings of festivals. Through variety of welfare initiatives, the sense of belonging and happiness of employees has been further strengthened, creating a positive, harmonious and stable corporate atmosphere.

Typical case of employee benefits 1: summer cooling activities for construction sites

In summer 2024, the persistent high temperatures posted a serious challenge for outdoor workers. In order to practically protect the physical health and operational safety of frontline construction workers, the Company has actively organized and continued to carry out high-temperature condolence activities since late July to send "summer coolness" to the workers who worked in the construction sites.

During the activity, the Company provided the workers with cooling drinks, medicines and other materials for heat stroke prevention, and they could feel the Company's care and warmth in the hot working environment. This activity not only effectively stimulated the enthusiasm of frontline workers, significantly improved work efficiency and team morale, but also played an active role in promoting safety production and ensuring construction progress.

Summer cooling activities for construction sites

Typical case of employee benefits 2: sending warmth on Women’s Day

On 8 March 2024, the International Women's Day, the Company carefully prepared welfare activities to show special care for female employees. During the preparation for the event, the human resources department had numerous discussions with the labor union and, taking into account the needs of the female employees, selected a gift box containing hand cream and body lotion, as well as a gift card for each female employee.

On Women's Day, gift boxes were neatly arranged in the warmly decorated conference room. When the female employees walked into the conference room, they were surprised to see the gifts, and they opened the boxes to share the joy.

Delicate gifts for International Women's Day

In addition to recognizing employee care as a key issue, the Group also understands the importance of employee opinions to corporate development. Therefore, we make every effort to create an atmosphere of open communication and encourage our employees to participate in the management and provide advice and suggestions. The Group has carefully built a multi-dimensional communication and complaint platform integrating online and offline means, such as staff seminars, online suggestion box and complaint hotline. By allowing employees to speak freely and the management can receive feedback timely, we promote in-depth communication between the management and the employees to optimize management and welfare policies, create a harmonious working environment, and work together with employees to create a better future.

A wealth of employee activities

The Group is well aware that work-life balance is critical to the performance and well-being of our employees. We provide our employees with diversified activities every year to enhance their teamwork and communication skills, as well as improve their physical and mental health, thus creating a positive corporate culture and working atmosphere.

Typical case of employee activities 1:

In August 2024, the Company invited an attending physician of traditional Chinese medicine, to deliver a special lecture titled "Treating Winter Ailments in Summer" for all staff, focusing on the application of Sanfutie (dog-day patches) and Sanniutie (midwinter patches). Combining theoretical explanations with live demonstrations, the session helped employees gain in-depth understanding of the scientific principles and practical efficacy of herbal patches. Participants also experienced firsthand the versatile applications of these traditional therapies in daily healthcare. This initiative not only enriched employees' knowledge of traditional Chinese medicine but also provided innovative approaches to enhance immunity and prevent winter diseases amidst the summer heat. The activity further highlighted the Company's commitment to supporting the physical and mental health of its employees.

Scene of "Treating Winter Ailments in Summer" Lecture Activity

Development and Training

The Group regards its employees as its core assets and recognizes the importance of their growth to the long-term development of the Company. Upholding the people-oriented philosophy and aiming to create a fair environment for career development, the Group has formulated the regulations on performance appraisal and the regulations on the management of internal promotion to establish a scientific competition mechanism. The clear promotion and ranking systems, covering management, support and project management sequences, offer clear career path planning for employees, stimulate their work enthusiasm, and promote healthy competition within the Company.

In terms of performance appraisal, the lower level employees are assessed quarterly, semi-annually and annually by the responsible leaders. Quantitative assessment is conducted in accordance with scientific standards, and performance bonuses is distributed according to the assessment results, so as to realize the principle of “the more you work, the more you get”. In addition, we customize career planning by combining employee assessment results, personal preference and Company needs to help employees seize promotion opportunities and achieve common development.

In order to meet the demand for talents to cater to the Company's strategies and market changes, the Group attaches great importance to the development of talent training system. From October to November every year, the human resources department will formulate the annual training needs form and the training plan for the following year, according to the Company’s operation and strategy and the needs of each department. 12 training courses were planned for the Reporting Period, covering internal, external and internship training. Internal training included internal control training, management training, and business training which were tailored to the job position to enhance the ability of the employees. External training included certificate-based and skill training, and exchange with peers, in order to help employees in key positions to obtain qualifications. Interns were trained in two phases in accordance with the requirements, and a comprehensive assessment would be conducted before they become official employees to ensure their integration into the Company. Through these measures, the Group protects the rights and interests of its employees and promotes their growth, thereby laying the foundation for the sustainable development of the Company. In the future, we will continue to explore ways to optimize the talent environment and promote the long-term development of the Company.

Training System of the Group

Internship training

- The Group formulated the regulations on the internship training for fresh graduates, which standardized the internship management of fresh graduates, including the training plan, coaches, and internship assessment. The training was subdivided into two stages, namely "corporate recognition and elementary job skills training" and "basic job skills training". Before an intern becomes an official employee, he/she shall pass the comprehensive evaluation of rotation and the final comprehensive assessment.

Internal training

- During the Reporting Period, the Company's internal training covered internal control training (including anti-corruption training), management training, business training, skills training and safety training, with due consideration given to training targets and the training needs of employees.

External training

- During the Reporting Period, the Company launched external training on topics such as certificates, skills and professional titles, and actively organized exchanges and training with peer enterprises. For employees who required external professional training and certificates in construction, quality and safety, the Group would join hands with external professional organizations to provide training and assessment for the employees to help them obtain professional qualifications certificates.

	Percentage of trained employees
By gender	
Male	100%
Female	100%
By employment type	
Senior management	100%
Middle-level management	100%
Lower-level management	100%

Employee Health and Safety

Employee safety is closely related to the personal interests of employees and the well-being of their families. The health and safety of our employees is always our top priority. Upholding the safety governance policy of safety first, precaution emphasis and comprehensive treatment, we are determined to follow the path of safety development and committed to creating a safe and reliable working and production environment to provide solid protection for employees to work with peace of mind.

In our operation, we strictly comply with the Work Safety Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Regulations on Work Safety Licenses and other relevant laws and regulations applicable to the places where we operate, incorporate the legal requirements into daily management, clarify the safety responsibilities of each department and position, and ensure that production safety is based on the law and it is a personal responsibility.

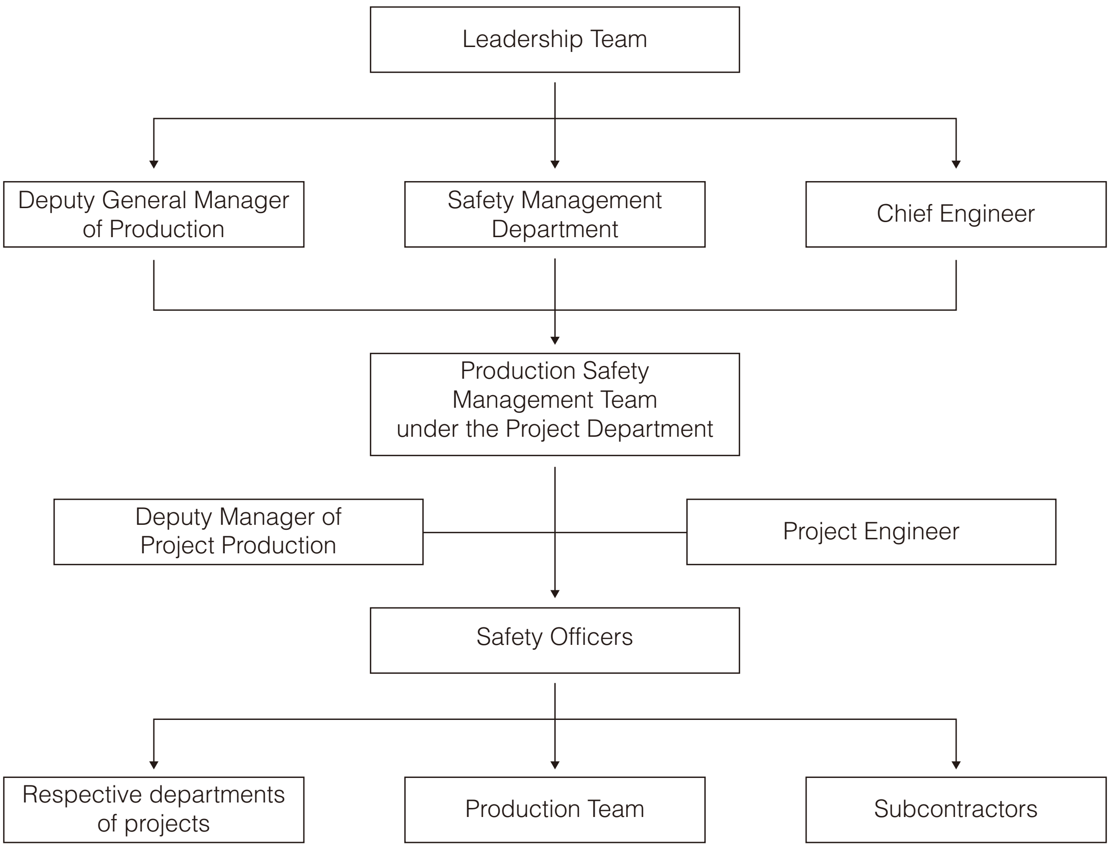
We actively introduce international advanced standards and have obtained the GB/T45001–2020/ISO45001:2018 Occupational Health and Safety Management System Certification. With the system, potential risks in the workplace are comprehensively sorted out and identified, risk levels are scientifically assessed, and targeted control measures are formulated to continuously optimize the safety management process and promote the normative, standardized and scientific safety management.

To further strengthen safety management, the Group keeps improving its internal safety management system. The measures for production safety management specify the various processes and standard operating procedures for production safety, providing specific guidance for daily production activities. The production safety responsibility system is designed to require every department, every job position and every employee to take responsibility for work safety, creating an environment that "the heavy burden is shared by all of us, and everyone has the responsibility on their shoulders", so that safety work is managed by everyone and everyone has a special responsibility for it.

In addition, subsidiaries of the Group have established more specific regulations according to the specific needs and demand of their business operations. For example, Watts Gallop Construction has formulated the procedures for reporting and handling work-related injuries in accordance with the Regulations on Production Safety Accidents and Investigation and Handling. The procedures clearly define the emergency response and reporting process for workplace accidents, requiring first aid measures to be taken and reported in a timely manner to ensure that the injured can receive timely medical treatment. In terms of investigation and prevention of accidents, it is required that in-depth analysis of the causes of accidents shall be conducted, lessons learned be summarized, and targeted preventive measures be formulated to prevent the recurrence of similar accidents. In terms of treatment and expense management, the cost commitment and reimbursement procedures are clearly defined to protect the legitimate rights and interests of injured employees. In terms of accountability for the accidents, it is required to hold the relevant responsible persons accountable in strict accordance with the regulations and to strengthen the awareness of safety responsibilities of all staff. During the Reporting Period, the Group had no work-related injuries or fatal incidents.

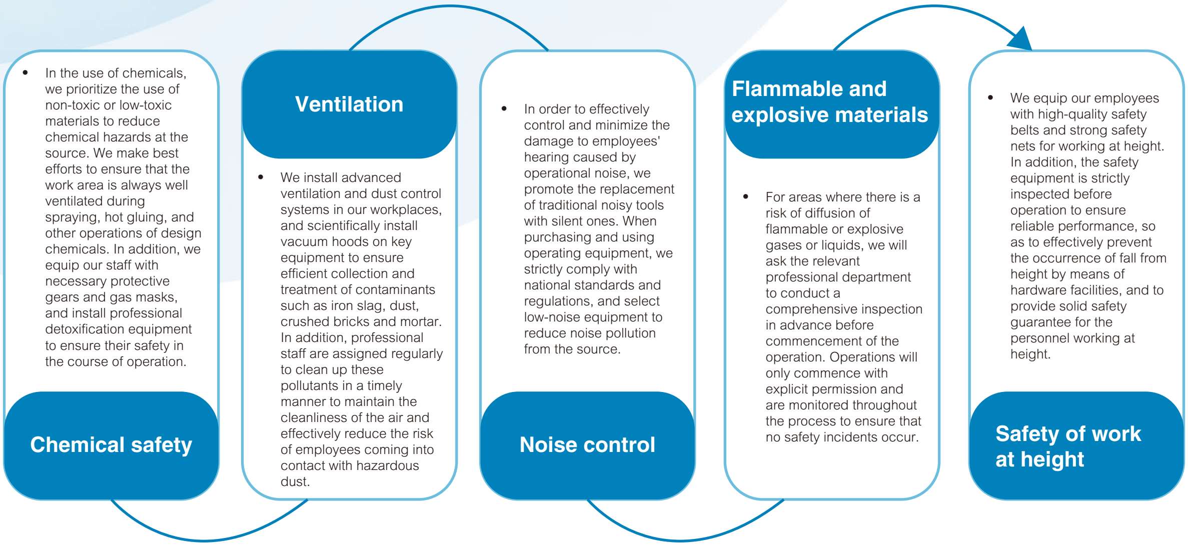
In the future, the Group will continue to enhance its safety management work, improve its management system, increase its investment in safety improvement, and introduce innovative safety management methods, so as to create a safer and more comfortable working environment for its employees, and help the Group and its employees achieve sustainable development.

Production Safety Management Structure



We continue to perfect our risk prevention and control management to realize the occupational health and safety objectives. To that end, we have put in place a top-to-bottom risk management mechanism ranging from risk identification and assessment, risk prevention measures to emergency response plans. By proactively and comprehensively identifying and evaluating potential occupational hazards in existing workplaces, actively adopting a series of targeted and necessary safety precautions, and designing relevant risk response plans based on specific projects, we strive to eliminate or minimize the risks to the greatest extent, and create a safe and healthy working environment for our employees.

Measures for Safety Risk Prevention



Attaching great importance to the dynamic tracking of the health status of our employees, we have formulated detailed and targeted measures for prevention and control of occupational health hazards. Under the supervision of the leading group for the prevention and control of occupational hazards, we have embarked on a number of important tasks in a comprehensive manner, including establishment of employee health care records, and systematic recording and management of employees' health conditions, etc., so as to identify potential health problems in a timely manner. At the same time, the Company vigorously carries out occupational health education and training activities to increase the knowledge of occupational health among employees and raise their awareness of occupational hazards and self-protection lectures, brochures and online courses, etc. In addition, we rigorously provide and supervise employees to wear correct occupational disease protective gears to minimize their exposure to occupational hazards and to build a solid line of defense for their occupational health.

In order to further increase our employees' awareness of potential risks and hazards, as well as to improve their ability to deal with emergencies, we have developed the regulations on safety education and training to establish a comprehensive and complete safety education and training system. The system is closely integrated with the "Production Safety Month" and other specialized activities to create a strong safety culture and comprehensively raise the safety awareness of employees.

In terms of training, we have combined internal and external training to give full play to fully utilize their respective advantages. We have developed tailor-made training programs for different groups of employees, such as interns, new colleagues, employees at construction sites and special operation personnel. It is clearly required that employees must acquaint themselves with safety knowledge and pass a strict safety education test before working at the construction sites, so as to ensure that employees have the necessary safety knowledge and skills.

In addition, the Group regularly organizes safety training and emergency response drills for management and operation personnel. During the drills, various emergency situations are simulated so that staff can accumulate experience in a real-world environment. In view of the problems identified in the drills, each unit shall make analysis, assess the room for improvement and take measures to make improvement in time. Through continuous drills and improvements, the emergency response capabilities and levels of all employees are practically improved, so as to be fully prepared for unexpected security incidents and to protect the life safety of employees and the stable operation of the enterprise in an all-round way.

Typical case of protecting the health and safety of employees 1: "Production Safety Month" activity

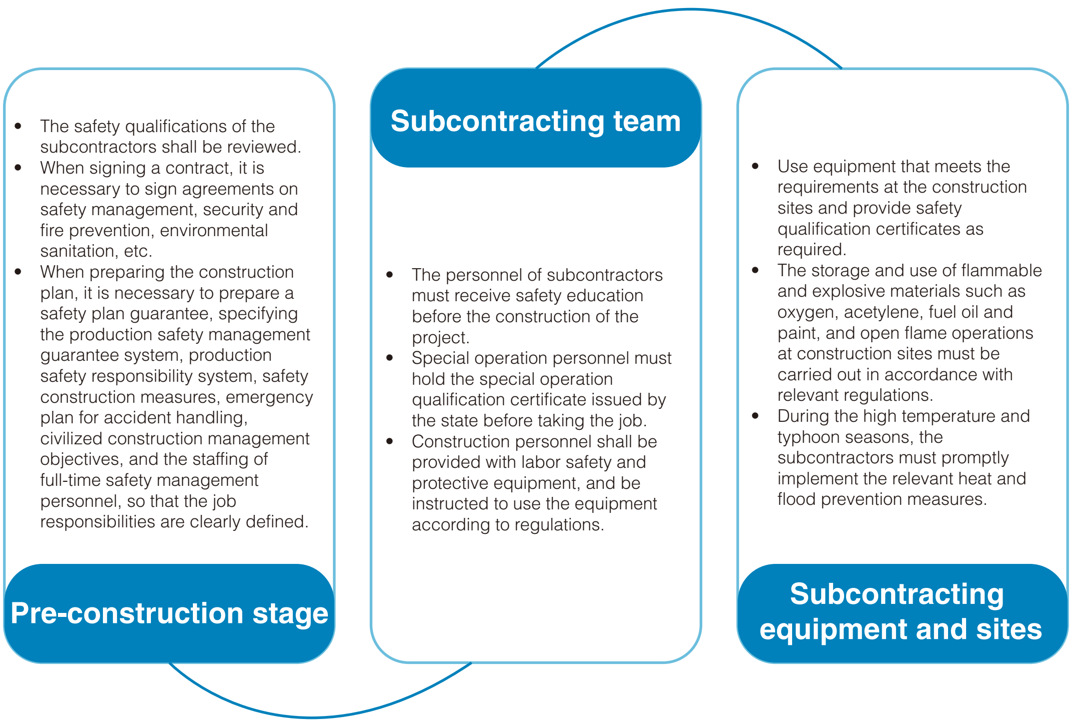
In June 2024, Watts Gallop Construction held the "Production Safety Month" activity with the theme "everyone pays attention to safety, and everyone knows how to respond to emergencies". The Company promoted the importance of production safety and increased employees' awareness of production safety through channels such as corporate WeChat, WeChat group, bulletin boards, publicity galleries, slogans, banners, multi-media, and video conferences. During the activity, the project departments carried out orderly self-examination and self-correction activities. In accordance with the detailed inspection standards, a comprehensive check was conducted on a number of key areas, including the implementation of the production safety responsibility system, the performance of the "three categories of personnel" in construction enterprises, the safety of the more dangerous sub-sections, the safety and protection of construction sites at the edges of the construction site and at the entrances of the holes, the fire safety of the construction site, and the safety of the use of electricity. In view of the safety hazards identified, each project department quickly formulated rectification measures and specified the person responsible for rectification and the rectification period, so as to ensure the effective rectification of the hazards, and effectively prevent accidents from occurring.

In order to further strengthen the implementation of safety responsibilities, the Group has enhanced the assessment of safety targets and responsibilities, clarifying the specific responsibilities of staff at all levels in production safety, and organizing staff to sign safety responsibility letters at each level, so that the safety responsibility is effectively fulfilled at all levels. From the Group's management to the frontline construction staff, everyone is well aware of their own safety responsibilities and takes practical steps to safeguard lives and properties, providing a solid guarantee for production safety.

"Production Safety Month" Activity

The Group emphasizes the occupational health and safety of subcontractors at the construction sites. The Group has worked out internal regulations such as the measures for production safety management of subcontractors and the system for management of subcontractors' qualifications and personnel qualifications. At the pre-construction stage, subcontractors are required to develop a comprehensive safety program in accordance with the relevant system. In the management of subcontracted work teams, we strictly scrutinize staffing and supervise the commencement of safety training. For subcontracted equipment and sites, it is required that the equipment meets the standards and is regularly maintained, and that the layout of the site is reasonable and warning signs are set up. At the same time, we use the system to strictly control the qualifications of subcontractors and personnel, comprehensively examine the qualifications of subcontractors, verify the qualifications of each personnel, and require that special types of work be licensed. With these systems, the safety management work of subcontractors in the above three dimensions has been standardized and the safety of subcontractors' personnel has been practically safeguarded.

Subcontractor Safety Management Process



Public benefits and charities

The Group has always regarded the fulfillment of corporate social responsibility as an important mission and actively participated in social welfare undertakings. We have formulated the methods on management of charity and public welfare activities to regulate all aspects of the public welfare activities organized and participated by the Group from activity planning, execution to follow-up, in order to ensure that every public welfare service is practically and effectively carried out. In terms of public welfare investment, during the Reporting Period, the Group's charitable and other donations amounted to approximately HKD100,000. In the future, the Group will continue to uphold the spirit of public welfare, constantly explore innovative ways to help improve public welfare and increase public welfare investment, so as to contribute more to the harmony and progress of the society.

Typical case of public benefits and charities 1: High temperature sympathy for communities

In July 2024, under high summer temperature, the Group's representatives of the party branch prepared watermelons, heat stroke prevention medicines and other materials to send coolness and care to the community workers who worked hard under the high temperature and other residents in need. The activity not only demonstrated the social responsibility of the party branch, but also further narrowed the distance between the Group and the community, showing our love and care for the community with practical actions.

High temperature sympathy for communities

Independent Auditor's Report

pwc 羅兵咸永道

To the Shareholders of Watts International Maritime Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Watts International Maritime Company Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 108 to 193, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Impairment of trade receivables, retention receivables, long-term trade receivables and contract assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Notes 4(a), 5(b) and 5(c) to the consolidated financial statements. The Group derives its revenue from marine construction services and municipal public construction services which amounted to approximately RMB497 million and RMB1,037 million for the year ended 31 December 2024, respectively. Revenue is recognised over the period in which the marine construction services and municipal public construction services are rendered, using the output method, with the reference to the project progress measurement and payment requests (the "**Requests**") acknowledged by customers and/or third-party engineering project supervisors who are authorised by customers. We focused on this area due to complexity of measuring the progress of different projects in many different locations and significant audit efforts spent.	Our procedures in relation to revenue recognition of marine construction services and municipal public construction services included: — We understood, evaluated and validated the Group's internal controls in respect of the Group's process to recognise revenue, mainly from customer contracts approval, progress measurement with reference to the Requests and revenue recording based on contract terms and the Requests acknowledged by customers and/or third-party engineering project supervisors. — We tested revenue transactions, on a sample basis, and performed the following procedures: (a) obtained the Requests for which the Group used to measure the value of work and/or services completed during the month; (i) examined the related contracts of marine construction services and municipal public construction services and agreed the contract sum and key transaction terms; (ii) checked the acknowledgements of the Requests from customers and/or third-party engineering project supervisors; (iii) checked the mathematical accuracy of the Requests and agreed the amounts with the revenue breakdown; and

Key Audit Matter	How our audit addressed the Key Audit Matter
	(b) We selected the on-going projects on sample base to perform on site visit and discuss with project managers and third party supervisors to understand the progress of the projects. We compared the progress with the accumulated revenue recognized and the cost booked to assess the reasonableness of the status of work-in-progress. — We sent customer confirmations, on a sample basis, to confirm the accumulated amounts of revenue transactions recognised up to the year end and obtained evidence and explanations from management and reconciled the book amounts to replied amounts where there were differences on the replies. — We selected, on a sample basis, the completed projects to compare the final settlement amounts set out in the subsequent acceptance settlement reports provided by third-party engineering project supervisors, to the accumulated revenue recognised for these projects. Based on the procedures performed, we found that the Group's revenue from marine construction services and municipal public construction services tested was supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables, retention receivables, long-term trade receivables and contract assets Refer to Notes 37.9 and 37.12 in the summary of other potential material accounting policies, and Notes 3.1, 4(b), 5(e) and 21 to the consolidated financial statements. As at 31 December 2024, trade receivables, retention receivables, long-term trade receivables and contract assets (collectively, the "**Project Receivables**") of the Group amounted to RMB1,274.8 million, RMB300.0 million, RMB45.5 million and RMB890.9 million, and the related impairment provision amounted to RMB148.4 million, RMB36.7 million, RMB3.3 million and RMB50.1 million, respectively. The impairment of the Project Receivables were assessed individually or collectively by the management. The management made significant judgements and estimates on the expected credit loss rates which consider factors including the past collection history of customers and are adjusted for forward-looking elements, such as actual or expected significant adverse changes in business, financial or economic conditions that may impact the customers' ability to meet its obligation, actual or expected significant adverse changes in the performance and behaviour of customers including changes in the payment period and operating results of the customers. We identified the impairment provision on the Project Receivables as a key audit matter due to the high degree of estimation uncertainties and the subjectivity of judgements involved in determining the impairment provision.	Our procedures in relation to management's assessment on the impairment of the Project Receivables included: — We understood, evaluated and tested the management's internal control and assessment process of the impairment assessment of the Project Receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity of management's significant judgements, changes and susceptibility to management bias or fraud. — We tested, on a sample basis, the accuracy of ageing profiles on the Project Receivables, where applicable by checking to the underlying invoices, payment demand notes or the Requests. — We obtained management's assessment on the collectability of individual Project Receivables, and corroborated management's assessment against relevant supporting evidence, including credit history and financial capability of these customers. — For those Project Receivables that were not assessed individually, we assessed the appropriateness of the Group's grouping by considering the credit risk, and the management's simplified approach including roll rate method to determine historical loss rate and industry and country modelling to determine forward looking adjustments.

Key Audit Matter	How our audit addressed the Key Audit Matter
	— We evaluated the reasonableness of the default rates of different groups by considering the actual losses incurred and whether the expected loss rates were assessed by the management based on the default rates considering the forward-looking elements, such as actual or expected significant adverse changes in business, financial or economic conditions that may impact the customers' ability to meet its obligation, actual or expected significant adverse changes in the performance and behaviour of customers including changes in the payment period and operating results of the customers. — We assessed the adequacy of the disclosures related to the impairment assessment of the Project Receivables in the context of HKFRSs. Based on the procedures performed, we found that the judgements and estimates adopted by management in the assessment of impairment of the Project Receivables were supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Watts international Maritime Company Limited 2024 Annual Report (the "**annual report**") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including management discussion and analysis, prior to the date of this auditor's report. The remaining other information, including corporate information, chairman's statement, biographical details of directors and senior management, report of the directors, corporate governance report, environmental, social and governance report and five year financial summary and other section to be included in the annual report, are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2025

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Revenue	5	**1,534,193**	2,143,680
Cost of sales	5,8	**(1,435,653)**	(1,970,113)
Gross profit		**98,540**	173,567
Selling and distribution expenses	8	**(5,671)**	(4,365)
Administrative expenses	8	**(99,157)**	(83,859)
Net impairment losses on financial assets and contract assets	3.1(b)	**(48,341)**	(20,289)
Other operating expenses	8	**(305)**	(349)
Other income	6	**3,252**	3,445
Other gains/(losses) — net	7	**2,850**	(1,135)
Operating (loss)/profit		**(48,832)**	67,015
Finance income	10	**3,521**	7,055
Finance costs	10	**(22,734)**	(23,541)
(Loss)/Profit before income tax		**(68,045)**	50,529
Income tax expense	11	**(1,204)**	(19,779)
(Loss)/Profit for the year		**(69,249)**	30,750
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Currency translation differences	25	**418**	(4,593)
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity instruments at fair value through other comprehensive income, net of tax	19	**21,285**	1,292
Other comprehensive income/(loss) for the year, net of tax		**21,703**	(3,301)
Total comprehensive (loss)/income for the year, attributable to the Shareholders of the Company		**(47,546)**	27,449
(Loss)/Earnings per share for (loss)/profit attributable to the Shareholders of the Company (expressed in RMB cents per share):			
— Basic and diluted (loss)/earnings per share	12	**(8.46)**	3.75

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

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**54,939**	68,492
Investment properties	15	**9,982**	16,735
Right-of-use assets	16	**9,569**	11,910
Intangible assets	17	**43**	70
Contract assets	5	**469,072**	359,433
Trade and other receivables	21	**96,555**	115,643
Deferred income tax assets	29	**36,383**	25,832
Financial assets at fair value through other comprehensive income	19	**4,098**	16,654
		680,641	614,769
Current assets			
Inventories	20	**6,383**	11,082
Contract assets	5	**371,690**	509,667
Trade and other receivables	21	**1,801,358**	1,684,898
Time deposits	22	**—**	1,831
Restricted cash	22	**144,744**	161,020
Cash and cash equivalents	22	**342,658**	255,754
		2,666,833	2,624,252
Total assets		**3,347,474**	3,239,021
EQUITY			
Capital and reserves			
Share capital	23	**7,303**	7,303
Share premium	23	**265,444**	273,074
Shares held for employee share scheme	24	**(4,756)**	(4,756)
Other reserves	25	**22,821**	31,054
Retained earnings	26	**406,109**	445,422
Total equity		**696,921**	752,097

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	28	**4,500**	9,500
Lease liabilities	16	**65**	366
Trade and other payables	27	**167,841**	197,242
Deferred income tax liabilities	29	**3,815**	1,381
		176,221	208,489
Current liabilities			
Contract liabilities	5	**69,065**	42,545
Trade and other payables	27	**2,109,717**	2,019,633
Borrowings	28	**275,998**	193,669
Lease liabilities	16	**272**	3,541
Income tax payables		**19,280**	19,047
		2,474,332	2,278,435
Total liabilities		**2,650,553**	2,486,924
Total equity and liabilities		**3,347,474**	3,239,021

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

The financial statements on pages 108 to 193 were approved by the Board of Directors on 27 March 2025 and were signed on its behalf.

Director *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Note	Attributable to the shareholders of the Company					
		Share capital *RMB'000*	Shares held for employee share scheme *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2023		7,303	(4,756)	280,092	30,385	418,642	731,666
Comprehensive income							
Profit for the year		—	—	—	—	30,750	30,750
Currency translation differences		—	—	—	(4,593)	—	(4,593)
Changes in the fair value of equity instruments at fair value through other comprehensive income, net of tax		—	—	—	1,292	—	1,292
Total comprehensive income		—	—	—	(3,301)	30,750	27,449
Other reserve movements							
Appropriation to statutory reserves		—	—	—	3,970	(3,970)	—
Dividends distribution to shareholders	30	—	—	(7,018)	—	—	(7,018)
Total other reserve movements		—	—	(7,018)	3,970	(3,970)	(7,018)
Balance at 31 December 2023		7,303	(4,756)	273,074	31,054	445,422	752,097

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Note	Attributable to the Shareholders of the Company					
		Share capital *RMB'000*	Shares held for employee share scheme *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2024		7,303	(4,756)	273,074	31,054	445,422	752,097
Comprehensive income							
Loss for the year		—	—	—	—	(69,249)	(69,249)
Currency translation differences		—	—	—	418	—	418
Changes in the fair value of equity instruments at fair value through other comprehensive income, net of tax		—	—	—	21,285	—	21,285
Total comprehensive income		—	—	—	21,703	(69,249)	(47,546)
Other reserve movements							
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings, net of tax		—	—	—	(29,936)	29,936	—
Dividends distribution to shareholders	30	—	—	(7,630)	—	—	(7,630)
Total other reserve movements		—	—	(7,630)	(29,936)	29,936	(7,630)
Balance at 31 December 2024		7,303	(4,756)	265,444	22,821	406,109	696,921

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	31(a)	**2,906**	(193,510)
Income tax paid		**(12,966)**	(30,574)
Net cash used in operating activities		**(10,060)**	(224,084)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	**(4,107)**	(7,612)
Interest received		**1,264**	4,552
Purchase of time deposit	22	**—**	(1,800)
Proceeds from disposal of equity investments at fair value through other comprehensive income	19	**37,718**	—
Proceeds from disposal of time deposit		**1,831**	—
Proceeds from disposal of property, plant and equipment	31(c)	**3,907**	2,915
Proceeds from disposal of land use rights	31(c)	**—**	3,030
Dividends received from financial assets at fair value through other comprehensive income	7	**305**	282
Purchase of intangible assets	17	**—**	(56)
Proceeds from sale of financial assets at fair value through profit or loss		**—**	1,300
Net cash generated from investing activities		**40,918**	2,611
Cash flows from financing activities			
Proceeds from borrowings	31(d)	**317,039**	278,369
Repayments of borrowings	31(d)	**(239,710)**	(321,111)
Dividend paid	30	**(7,630)**	(7,018)
Interest paid	10	**(10,313)**	(12,344)
Lease payment	31(d)	**(3,632)**	(1,102)
Net cash generated/(used in) from financing activities		**55,754**	(63,206)
Net increase/(decrease) in cash and cash equivalents		**86,612**	(284,679)
Cash and cash equivalents at beginning of the financial year		**255,754**	540,175
Effects of exchange rate changes on cash and cash equivalents		**292**	258
Cash and cash equivalents at end of year	22	**342,658**	255,754

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1 GENERAL INFORMATION

Watts International Maritime Company 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, Harbour 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 marine construction and municipal public construction services in the People's Republic of China (the "**PRC**") and Southeast Asia. The ultimate controlling shareholders are Mr. Wang Shizhong, Mr. Ye Kangshun, Mr. Wang Xiuchun, Ms. Zhou Meng, Mr. Wang Shiqin, Mr. Wang Likai (collectively the "**Controlling Shareholders**"), who are parties acting collectively and have been controlling the group companies since their incorporation.

The Company completed its initial public offering and its shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 November 2018 (the "**Listing**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

The consolidated financial statements have been approved for issue by the Board of Directors (the "**Board**") on 27 March 2025.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") as issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared on a historical cost basis, except for certain financial assets which were measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES (Continued)

(i) New and amended standards adopted by the Group

The Group has applied the following standards, amendments and interpretation for the first time for its annual reporting period commencing 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants — Amendments to HKAS 1
- Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause — Hong Kong Interpretation 5 (Revised)
- Lease Liability in Sale and Leaseback — Amendments to HKFRS 16; and
- Supplier Finance Arrangements — Amendments to HKAS 7 and HKFRS 7

The amendments and interpretation listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) New and amended standards and revised conceptual framework not yet adopted

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and amendments is set out below. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions, except for HKFRS 18, which will mainly impact the presentation of statements of comprehensive income. The Group is still in progress of evaluating the impact of HKFRS 18.

Standards	Key requirements	Effective for accounting periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HK Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027

3 FINANCIAL RISK MANAGEMENT

3.1 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.

(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$**"), as certain assets, purchase and sales of the Group is denominated in US$. The Group also has certain amounts of cash and bank balances denominated in 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 the 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 31 December 2024, if RMB had strengthened/weakened by 5% against the US$, with all other variables held constant, the total loss/profit for the year would have been RMB4,908,000 higher/lower (2023: RMB5,413,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of US$ 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 and bank borrowings. As borrowings are obtained at the fixed rates, the Group has no cash flow interest rate risk. The Group has not used any financial instrument to hedge its exposure to cash flow and fair value interest rate risks.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from restricted cash, cash and cash equivalents, time deposits, trade receivables, retention receivables, bills receivables and long-term trade 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, restricted cash and time deposits, the Group placed them in banks with high reputation.

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.

(ii) Impairment of financial assets

The Group has several types of financial assets that are subject to the expected credit loss model:

I Trade and retention receivables from providing marine construction services and municipal public construction services.

II Contract assets relating to marine construction contracts and municipal public construction contracts.

III Long-term trade receivables from providing municipal public construction services.

IV Other receivables.

V Cash and cash equivalents, restricted cash, time deposits and bills receivables.

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, long-term trade receivables and contract assets.

To measure the expected credit losses, trade receivables, retention receivables and contract assets have been grouped based on shared credit risk characteristics and the aging or the days past due. The contract assets relate to unbilled work in progress 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) ***Credit risk*** (Continued)

(ii) *Impairment of financial assets* (Continued)

The expected loss rates are based on the payment profiles of providing marine construction services and municipal public construction services over a period of 8 years before 31 December 2024 or 1 January 2024 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has considered evidence from external sources including the relevant public search results relating to the financial circumstances of the customers and expected behaviour including method of payments or payments period, and accordingly adjusts the historical loss rates based on expected changes in these factors.

I *Trade and retention receivables*

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 may impact the customers' ability to meet its obligations

- actual or expected significant changes in the expected performance and behaviour of customers, including changes in the payment period and operating results of the customers.

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. As at 31 December 2024, the trade receivables of RMB34,507,000 (2023: Nil) and retention receivables of RMB18,498,000 (2023: Nil) from customers that are expected difficult to be recovered, of which the Group made individual loss allowance of RMB4,708,000 (2023: Nil) against trade receivables and RMB2,693,000 (2023: Nil) against retention receivables as at 31 December 2024.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) ***Credit risk*** (Continued)

(ii) *Impairment of financial assets* (Continued)

I *Trade and retention receivables* (Continued)

As at 31 December 2024 and 2023, the trade receivables and retention receivables have been grouped on the basis of shared credit risk characteristics and the aging or days past due for the measurement of expected credit loss:

i) Marine construction services group

Trade receivables	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
At 31 December 2024					
Expected loss rate	**3.41%**	**6.93%**	**15.00%**	**34.32%**	
Gross carrying amount	**340,114**	**35,840**	**13,684**	**104,568**	**494,206**
Total loss allowance provision	**11,601**	**2,485**	**2,053**	**35,890**	**52,029**
At 31 December 2023					
Expected loss rate	2.11%	3.88%	8.24%	31.65%	
Gross carrying amount	379,343	69,684	82,919	51,839	583,785
Total loss allowance provision	8,014	2,703	6,835	16,407	33,959

Retention receivables	Not past due or past due within 1 year RMB'000	Past due 1 to 2 years RMB'000	Past due 2 to 3 years RMB'000	Past due over 3 years RMB'000	Total RMB'000
At 31 December 2024					
Expected loss rate	**5.93%**	**9.35%**	**11.88%**	**81.15%**	
Gross carrying amount	**89,925**	**142**	**37,593**	**10,020**	**137,680**
Total loss allowance provision	**5,333**	**13**	**4,465**	**8,131**	**17,942**
At 31 December 2023					
Expected loss rate	12.02%	18.34%	22.60%	57.48%	
Gross carrying amount	68,915	38,460	2,210	53,240	162,825
Total loss allowance provision	8,280	7,052	500	30,600	46,432

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

I Trade and retention receivables (Continued)

ii) Municipal public construction services group

Trade receivables	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
At 31 December 2024					
Expected loss rate	**4.89%**	**15.05%**	**24.26%**	**72.01%**	
Gross carrying amount	**506,197**	**115,966**	**83,382**	**40,513**	**746,058**
Total loss allowance provision	**24,758**	**17,453**	**20,228**	**29,174**	**91,613**
At 31 December 2023					
Expected loss rate	3.47%	9.55%	20.82%	71.43%	
Gross carrying amount	529,166	103,974	60,095	25,057	718,292
Total loss allowance provision	18,373	9,925	12,510	17,899	58,707

Retention receivables	Not past due or past due within 1 year RMB'000	Past due 1 to 2 years RMB'000	Past due 2 to 3 years RMB'000	Past due over 3 years RMB'000	Total RMB'000
At 31 December 2024					
Expected loss rate	**6.11%**	**25.87%**	**50.67%**	**90.95%**	
Gross carrying amount	**127,366**	**9,507**	**1,271**	**5,666**	**143,810**
Total loss allowance provision	**7,787**	**2,459**	**644**	**5,153**	**16,043**
At 31 December 2023					
Expected loss rate	4.78%	32.92%	48.28%	92.03%	
Gross carrying amount	148,636	2,664	1,848	6,662	159,810
Total loss allowance provision	7,104	877	892	6,131	15,004

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) ***Credit risk*** (Continued)

(ii) *Impairment of financial assets* (Continued)

II *Contract assets*

Contract assets relate to unbilled work in progress which 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. Since the contract assets are still in performing, the payment is not due.

Individually impaired contract assets are related to projects under litigation claims. Management makes individual assessment on these contract assets based on historical settlement records, past experience, pledged assets as well as forward looking factors. As at 31 December 2024, the contract assets of RMB5,242,000 (2023: RMB20,145,000) from one customers (2023: two customer) are under litigation claims. The Group made an individual loss allowance of RMB5,242,000 for these contract assets for the year ended 31 December 2024 (2023: RMB5,760,000). And the contract assets of RMB4,633,000 (2023: Nil) from one customer are expected difficult to be recovered. The Group made an individual loss allowance of RMB4,633,000 (2023: Nil) for these contract assets for the year ended 31 December 2024 (2023: Nil).

The expected loss rates of the remaining contract assets were assessed to be 3.41% for marine construction and 4.89% for municipal public construction (2023: 2.11% and 3.47%), respectively.

As at 31 December 2024, the loss allowance for provision for contract assets of marine construction and municipal public construction were approximately RMB11,182,000 and RMB38,944,000 (2023: RMB4,206,000 and RMB29,492,000), respectively.

III *Long-term trade receivables*

Long-term trade receivables relate to a public-private-partnership project in municipal public construction services and are recognised as contract assets when the project is still performing, and transferred to receivables when the project is finished. Since the customer is a government owned company with strong reputation and the payment is not due according to the contract, the expected loss rate for the long-term trade receivables is assessed to be the same as that of the trade receivables. As at 31 December 2024, the loss allowance provision for long-term trade receivables was approximately RMB3,315,000 (2023: RMB2,592,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

IV Other receivables

The Group adopts general approach for recognition of expected credit losses of other receivables and considers that the credit risk has not significantly increased 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 considers counter parties having a low risk of default and a strong capacity 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 receivables.

V Cash and cash equivalents, restricted cash, time deposit and bills receivables

For cash and cash equivalents, restricted cash, time deposits and bills receivables, the Group only transacts with state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside of Mainland China. There has been no recent history of default in relation to these financial institutions. The Group considers counter parties having a low risk of default and a strong capacity to meet contractual cash flow in the near term. The identified impairment loss was immaterial.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) ***Credit risk*** (Continued)

(ii) Impairment of financial assets (Continued)

VI Total impairment loss allowance on financial assets and contract assets and impact to profit or loss

No loss allowance was made for other receivables, cash and bank balances and bills receivables.

The loss allowance provision for trade receivables, retention receivables, long-term trade receivables and contract assets as at 31 December 2024 and 2023 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables *RMB'000*	Retention receivables *RMB'000*	Long-term trade receivables *RMB'000*	Contract assets *RMB'000*	Total *RMB'000*
At 1 January 2023	77,137	53,955	3,099	35,389	169,580
Provision for/(reversal of) loss allowance recognised in the consolidated statement of comprehensive income	15,341	7,205	(507)	(1,750)	20,289
Currency translation differences	188	276	—	59	523
At 31 December 2023	92,666	61,436	2,592	33,698	190,392
Provision for/(reversal of) loss allowance recognized in the consolidated statement of comprehensive income					
— General provision/(reversal of) for collectively impaired loss allowance	**51,154**	**(27,382)**	**723**	**12,330**	**36,825**
— Specific provision for individually impaired loss allowance	**4,708**	**2,693**	**—**	**4,115**	**11,516**
Currency translation differences	**(178)**	**(69)**	**—**	**(17)**	**(264)**
At 31 December 2024	**148,350**	**36,678**	**3,315**	**50,126**	**238,469**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) Impairment of financial assets (Continued)

VI Total impairment loss allowance on financial assets and contract assets and impact to profit or loss (Continued)

During the year, the following losses were recognised in profit or loss in relation to impaired financial assets and contract assets:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Net impairment losses charged to profit or loss	**48,341**	20,289

3.2 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*	Over 5 years *RMB'000*	Total *RMB'000*
At 31 December 2023					
Borrowings, including interest payables	195,453	5,410	4,694	—	205,557
Lease liabilities	3,982	211	155	—	4,348
Trade and other payables	2,207,010	137,311	82,525	1,469	2,428,315
	2,406,445	142,932	87,374	1,469	2,638,220
At 31 December 2024					
Borrowings, including interest payables	**277,011**	**4,647**	**—**	**—**	**281,658**
Lease liabilities	**280**	**69**	**—**	**—**	**349**
Trade and other payables	**2,201,642**	**158,440**	**28,267**	**34**	**2,388,383**
	2,478,933	**163,156**	**28,267**	**34**	**2,670,390**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Capital management

The capital structure of the Group consists of equity and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of debt to equity ratio. The debt to equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents, time deposits and pledged bank deposits. The net cash position as at 31 December 2024 and 2023 was resulted from the Group's operation. The debt to equity ratios as at 31 December 2024 and 2023 are as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Total borrowings *(Note 28)*	**280,498**	203,169
Less: cash and cash equivalents, time deposits and restricted cash *(Note 22)*	**(487,402)**	(418,605)
Net cash	**(206,904)**	(215,436)
Total equity	**696,921**	752,097
Debt to equity ratio	**N/A**	N/A

3.4 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the input used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Note	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
At 31 December 2024					
Financial assets at fair value through other comprehensive income	*19*	**4,098**	**—**	**—**	**4,098**
At 31 December 2023					
Financial assets at fair value through other comprehensive income	*19*	4,784	—	11,870	16,654

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

There were no transfers between levels 1, 2, and 3 for recurring fair value measurements during the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant input is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments, and
- for other financial instruments discounted cash flow analysis.

The finance manager of the Group performs valuation on these level 3 instruments for financial reporting purposes. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instrument.

As at 31 December 2024 and 2023, the level 1 instrument of the Group mainly includes investment in listed securities, the fair value of the equity instrument is based on quoted market price at the end of the year. The instrument is included in level 1.

As at 31 December 2024 and 2023, the level 3 instrument of the Group mainly includes investment in equity securities that are not publicly traded.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(ii) Valuation techniques used to determine fair values (Continued)

For the Group's investments in equity securities in level 3 that are not publicly traded, the Group uses its judgement to select market approach and make major assumptions including risk-free interest rate, excepted volatility and probability and estimated time of liquidation/redemption listing scenario at each balance sheet date to assess the fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

The Group has primary responsibility to fulfillment of the contract obligations, quality and warranty of the overall work and has discretion in selecting subcontractors and discretion of the pricing for subcontractor. Thus, the Group is acting as the principal and recognises revenue on a gross basis. The determination of the progress of the construction service involves judgements. The Group recognises revenue based on progress measurement and payment requests (the "**Requests**") acknowledged by customers and/or third-party engineering project supervisors who are authorised by customers. Management will assess whether the Requests reflect work in progress towards complete satisfaction of performance obligation and are commensurate with the work performance based on direct measurements of the value of units delivered or survey of work performed. The customers will provide final statement when the whole project is completed and may have adjustments on accumulated recognition of work performed according to the actual performance till the day of completion. Based on historical experience with similar projects, the difference is immaterial. In addition, when determining the transaction price, the Group considers factors such as whether there is any financing component, whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purpose. When the contract does not contain a financing component, the Group recognises revenue based on the Requests, over the period during which the services are rendered and transferred to customers. When the contract contains a financing component which provides the customer a significant benefit or financing the transfer of services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Provision for impairment of financial assets and contract assets

The Group's management determines the provision for impairment of trade receivables, retention receivables, long-term trade receivables and contract assets on a forward-looking basis and the expected lifetime losses are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates, such as actual or expected significant adverse changes in business, financial or economic conditions that may impact the customers' ability to meet its obligation, actual or expected significant adverse changes in the performance and behaviour of customers including changes in the payment period and operating results of the customers. Contract assets will not be transferred to trade receivables or retention receivables unless the construction services are completed, which is the time when the Group has unconditional right to receive consideration. The Group assesses that the contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the business relationship with customers, financial circumstances of the customers and expected behaviour including method of payments or payments period. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

(c) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management reassesses the useful lives on a regular basis. Management will increase the depreciation charge where useful lives are shorter than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Income taxes and deferred tax assets/liabilities

The Group is subject to income taxes in several jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Long-term payables

Long-term payables represent amounts due to suppliers for certain construction whose contractual payment periods are over one year. The Group determines the payment periods according to payment schedule in the contracts with suppliers, which is related to the estimated completion date of the project. The long-term payables are settled upon the completion of the project and measured at amortised cost using the effective interest method, which is used to calculate the discount amounts. Management reassesses the estimated completion date of the project at each balance sheet date.

5 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) Marine construction, including infrastructure construction of ports, waterway engineering and other services; and

(ii) Municipal public construction, including construction of public infrastructure within cities, urban greening and construction of buildings.

The segment results represent the gross profit of marine construction and municipal public construction.

Segment assets and liabilities are measured in the same way as in the consolidated financial statements. Segment assets are allocated based on the operations of the segment and the physical location of the asset. Segment liabilities are allocated based on the operations of the segment.

5 SEGMENT INFORMATION (Continued)

(b) Segment results and other information

The segment information for the year ended 31 December 2024 is as follows:

	Year ended 31 December 2024		
	Marine construction RMB'000	Municipal public construction RMB'000	Total RMB'000
Revenue	497,195	1,036,998	1,534,193
Cost of sales	(448,557)	(987,096)	(1,435,653)
Gross profit	48,638	49,902	98,540
Unallocated items			
Operating expenses			(153,474)
Other income *(Note 6)*			3,252
Other gains — net *(Note 7)*			2,850
Finance costs — net *(Note 10)*			(19,213)
Loss before income tax			(68,045)
Income tax expense *(Note 11)*			(1,204)
Loss for the period			(69,249)
Segment items included:			
Depreciation and amortization *(Note 8)*	(9,088)	(6,716)	(15,804)
Net impairment reversal/(losses) on financial assets and contract assets *(Note 3.1)*	85	(48,426)	(48,341)

The segment assets and liabilities at 31 December 2024 are as follows:

	As at 31 December 2024			
	Marine construction RMB'000	Municipal public construction RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Total assets	1,357,587	2,129,116	(139,229)	3,347,474
Total liabilities	915,493	1,874,289	(139,229)	2,650,553

5 SEGMENT INFORMATION (Continued)

(b) Segment results and other information (Continued)

The segment information for the year ended 31 December 2023 is as follows:

	Year ended 31 December 2023		
	Marine construction *RMB'000*	Municipal public construction *RMB'000*	Total *RMB'000*
Revenue	724,585	1,419,095	2,143,680
Cost of sales	(643,964)	(1,326,149)	(1,970,113)
Gross profit	80,621	92,946	173,567
Unallocated items			
Operating expenses			(108,862)
Other income *(Note 6)*			3,445
Other gains — net *(Note 7)*			(1,135)
Finance costs *(Note 10)*			(16,486)
Profit before income tax			50,529
Income tax expense *(Note 11)*			(19,779)
Profit for the year			30,750
Segment items included:			
Depreciation and amortisation	(8,531)	(7,377)	(15,908)
Net impairment reversal/(losses) on financial assets and contract assets *(Note 3.1)*	406	(20,695)	(20,289)

The segment assets and liabilities at 31 December 2023 are as follows:

	As at 31 December 2023			
	Marine construction *RMB'000*	Municipal public construction *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Total assets	1,381,828	1,960,578	(103,385)	3,239,021
Total liabilities	929,199	1,661,110	(103,385)	2,486,924

5 SEGMENT INFORMATION (Continued)

(c) Revenue from contract with customers and cost of sales

The Group derives revenues from the transfer of services over time for customers in the following services and locations of the customers:

	Year ended 31 December					
	2024			2023		
	Marine construction RMB'000	Municipal public construction RMB'000	Total RMB'000	Marine construction RMB'000	Municipal public construction RMB'000	Total RMB'000
PRC						
Revenue	338,986	1,036,998	1,375,984	422,598	1,419,095	1,841,693
Cost of sales	(308,516)	(987,096)	(1,295,612)	(367,284)	(1,326,149)	(1,693,433)
	30,470	49,902	80,372	55,314	92,946	148,260
Southeast Asia						
Revenue	158,209	—	158,209	301,987	—	301,987
Cost of sales	(140,041)	—	(140,041)	(276,680)	—	(276,680)
	18,168	—	18,168	25,307	—	25,307

The breakdown of individual customer's revenue exceeded 10% of the Group's total revenue for the year ended 31 December 2024 and 2023 is as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Customer A	N/A	236,618

Non-current assets, other than non-current receivables, contract assets, financial assets at fair value through other comprehensive income and deferred tax assets, by territory is as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
PRC	72,325	90,331
Southeast Asia	2,208	6,876
Total	74,533	97,207

5 SEGMENT INFORMATION (Continued)

(c) Revenue from contract with customers and cost of sales (Continued)

Accounting policies of revenue recognition

Revenue are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

When control of the goods or services is transferred over time, the progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

(a) direct measurements of the value of individual services transferred by the Group to the customer, such as units produced or delivered, contract milestones, or surveys of work performed; or

(b) the Group's efforts or inputs to the satisfaction of the performance obligation.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and it should be presented separately. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and subsequently amortised when the related revenue is recognised. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

A contract liability is the Group's obligation to render the services to a customer for which the Group has received non-refundable consideration from the customer.

The following is a description of accounting policy for the revenue streams of the Group:

- The Group obtains revenue from marine construction services and municipal public construction services (Note 5(a)). These two construction related businesses have similar method of revenue recognition.

- The Group derives revenue from the transfer of the above construction services over time.

5 SEGMENT INFORMATION (Continued)

(c) Revenue from contract with customers and cost of sales (Continued)

Accounting policies of revenue recognition (Continued)

- The progress towards complete satisfaction of performance obligation is measured in output method based on the project progress measurement and payment requests (the "**Requests**") acknowledged by customers and/or third-party engineering project supervisors who are authorised by customers, which are commensurate with the work performance based on direct measurements of the value of units delivered or survey of work performed. The contractual payment terms differ for different customers due to the variety of projects. Most of the payments are payable according to the stage of construction with credit terms of 30 to 60 days, while 10% to 35% of payments will be payable upon the completion of the construction and such portion of payments are recognised as contract assets before the completion of the projects and transferred to trade receivables when the Group has the right to bill the customers which is usually upon completion of construction; the rest 5% to 10% of the contract price are recognised as retention receivables, which would be paid after the warranty period expires. The payments are commensurate with the Group's performance and the contracts require certain amounts to be retained until completion of construction or expiry of warranty period which are intended for protection against non-performance. The Group does not intend to give a financing to customers in most cases and the Group makes efforts to collect the receivables and timely monitor the credit risk.

- For some projects, such as the public-private-partnership project, longer payment term may be extended to customers. When determining the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purpose. When the contract contains a financing component which provides the customer a significant benefit or financing the transfer of construction services to the customer for more than one year, revenue is measured at the present value of the amount receivable discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

- The Group does not have any variable consideration such as discounts, refunds, rebates, credits, penalties, performances bonuses or royalties. Also, the contract modification rarely occurs, and the contract price finally confirmed by the customer upon completion of project does not vary significantly from the original price. Trade receivables and contract assets expected to be recovered in one year or less are classified as current assets. If not, they are presented as non-current assets.

- There is no material contract fulfilment cost or cost of obtaining contracts of the Group.

Cost of sales incurred comprise direct materials, the costs of subcontracting, direct labour, depreciation, and other expenses. Costs are recognised when incurred during the completion of the contract activity. Direct materials account for the most in the cost of sales.

The Group records contract liabilities for non-refundable advance payment from customer before rendering of services since there is still performance obligation to complete. The contract liabilities are recognised as revenue over the period during which the relevant services are rendered to customers.

5 SEGMENT INFORMATION (Continued)

(d) Contract assets and liabilities

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Contract assets		
Current portion		
Marine construction	**172,356**	149,856
Municipal public construction	**220,203**	381,275
Less: allowance for impairment of contract assets *(Note 3.1(b))*	**(20,869)**	(21,464)
	371,690	509,667
Non-current portion		
Marine construction	**24,258**	49,282
Municipal public construction	**474,071**	322,385
Less: allowance for impairment of contract assets *(Note 3.1(b))*	**(29,257)**	(12,234)
	469,072	359,433
Total contract assets	**840,762**	869,100
Contract liabilities		
Marine construction	**9,916**	2,250
Municipal public construction	**59,149**	40,295
Total contract liabilities	**69,065**	42,545

5 SEGMENT INFORMATION (Continued)

(e) Contract assets and liabilities (Continued)

(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 customers. The contract assets are transferred to trade and retention receivables when receipt of the consideration is conditional only on the passage of time.

The Group expects that contract assets have the same risk characteristics as trade receivables. The impairment of contract assets is disclosed in Note 3.1(b).

The contract liabilities above are due to the non-refundable advance payment made by customers. Such liabilities fluctuate 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 pays consideration but before the Group renders service to the customer.

Due to the completion of the construction, approximately RMB308,402,000 (2023: RMB62,730,000) of contract assets were transferred to trade receivables, while approximately RMB482,238,000 (2023: RMB604,010,000) of contract assets were transferred to retention receivables during the year ended 31 December 2024.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue, which was included in the Group's contract liabilities balance at the beginning of the year, recognised during the years ended 31 December 2024 and 2023 related to carried-forward contract liabilities.

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Marine construction	**—**	11,279
Municipal public construction	**1,804**	127,050
	1,804	138,329

5 SEGMENT INFORMATION (Continued)

(e) Contract assets and liabilities (Continued)

(iii) Unsatisfied performance obligations

The following table shows the unsatisfied performance obligations as at 31 December 2024 and 2023.

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Marine construction	**980,873**	802,137
Municipal public construction	**1,332,027**	1,385,897
	2,312,900	2,188,034

For marine construction services, management expects that 69% of the transaction price allocated to the unsatisfied contracts as at 31 December 2024 will be recognised as revenue before 31 December 2025, 31% will be recognised as revenue before 31 December 2026. For municipal public construction services, management expects that 29% of the transaction price allocated to the unsatisfied contracts as at 31 December 2024 will be recognised as revenue before 31 December 2025, 32% will be recognised as revenue before 31 December 2026, 28% will be recognised as revenue before 31 December 2027, 9% will be recognised as revenue before 31 December 2028 and 2% will be recognised as revenue before 31 December 2029.

6 OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Rental income	**1,840**	1,841
Government grants relating to costs	**1,204**	1,604
Others	**208**	—
	3,252	3,445

7 OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Net foreign exchange gains/(losses)	**3,151**	(4,723)
Dividend income from financial assets at fair value through other comprehensive income	**305**	282
Donations	**(90)**	(515)
(Losses)/gains on disposal of property, plant and equipment, and land use rights — net *(Note 31(c))*	**(240)**	3,115
Others — net	**(276)**	706
	2,850	(1,135)

8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and other operating expenses are analysed as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Raw materials and consumables used	**835,336**	989,067
Subcontracting costs	**504,327**	809,649
Wages and salaries, social welfare and benefits, including directors' emoluments *(Note 9)*	**66,607**	71,708
Operating lease expenses	**36,480**	102,842
Travelling and entertainment expenses	**19,144**	14,301
Consulting service expenses	**15,506**	10,949
Depreciation of property, plant and equipment *(Note 14)*	**13,432**	14,073
Depreciation of investment properties *(Note 15)*	**435**	89
Depreciation of right of use assets *(Note 16)*	**1,910**	1,613
Amortisation of intangible assets *(Note 17)*	**27**	133
Provision for impairment of investment properties *(Note 15)*	**3,252**	—
Taxes and surcharges	**4,899**	8,570
Transportation expenses	**6,247**	8,381
Utilities	**6,188**	5,509
Auditors' remuneration		
— Audit services	**1,880**	2,650
— Non-audit services	**—**	125
Other expenses	**25,116**	19,027
	1,540,786	2,058,686

8 EXPENSES BY NATURE (Continued)

The Group incurred expenses amounted to approximately RMB33,073,000 (2023: RMB33,694,000) related to research and development of new construction techniques for the years ended 31 December 2024. All of these expenses comprise material costs in "Raw materials and consumables used", remuneration paid to certain staff in "Wages and salaries, social welfare and benefits" and depreciation of certain equipment in "Depreciation of property, plant and equipment".

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Salaries, wages and allowances	**52,830**	54,966
Pension costs	**6,622**	9,976
Bonuses	**7,155**	6,766
Total employee benefit expenses	**66,607**	71,708

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2023: two) directors whose emoluments are reflected in the analysis presented in Note 36 during the year ended 31 December 2024. The emoluments paid to the remaining three (2023: three) individuals for the years ended 31 December 2024 and 2023 are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**1,825**	1,612
Contribution to pension scheme	**88**	75
Discretionary bonuses	**480**	727
Total employee benefit expenses	**2,393**	2,414

9 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Five highest paid individuals (Continued)

The number of highest paid non-director individuals, whose remuneration for the years ended 31 December 2024 and 2023 fell within the following bands:

	Year ended 31 December	
	2024	2023
Emolument bands HK$500,000 to HK$1,000,000	**2**	3
Emolument bands HK$1,000,000 to HK$1,500,000	**1**	—
	3	3

During the years ended 31 December 2024 and 2023, no emoluments were paid to the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 FINANCE COSTS — NET

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Finance income		
— Interest income derived from cash and bank and other financial instruments	**1,264**	4,583
— Unwinding of discount of long-term receivables	**2,257**	2,472
	3,521	7,055
Finance costs		
— Unwinding of discount of long-term payables	**(12,359)**	(11,138)
— Interest expenses on bank borrowings	**(10,313)**	(12,344)
— Interest expenses paid/payable for lease liabilities	**(62)**	(59)
	(22,734)	(23,541)
Finance costs — net	**(19,213)**	(16,486)

The financial cost related to unwinding of discount of long-term payables was measured under effective interest rate method.

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Current income tax	**7,915**	23,875
Deferred income tax *(Note 29)*	**(6,711)**	(4,096)
Income tax expense — net	**1,204**	19,779

(i) Cayman Islands profits 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.

(ii) British Virgin Islands ("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.

(iii) 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% (2023: 16.5%) for the year ended 31 December 2024.

(iv) PRC corporate income tax ("CIT")

The Group's subsidiaries in the PRC are subject to PRC CIT which is calculated based on the applicable tax rate of 25% (2023: 25%) on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations, except for the subsidiaries as disclosed below.

Shanghai Third Harbor Benteng Maritime Engineering Co., Ltd. ("**Third Harbor Maritime**"), a subsidiary of the Group, obtained new and high-technology enterprise recognition in October 2019 and renewed it in October 2022 and is entitled to a preferential income tax rate of 15% (2023: 15%) in year 2024. Shanghai Watts Environmental Technology Co., Ltd. ("**Watts Environmental**"), a subsidiary of the Group, obtained new and high-technology enterprise recognition in November 2022, and is entitled to a preferential income tax rate of 15% (2023: 15%) in year 2024. The qualification to new and high-technology enterprise is subject to renewal for each three-year interval.

(v) 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% (2023: 18.5%) for the years ended 31 December 2024.

11 INCOME TAX EXPENSE (Continued)

(vi) 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 years ended 31 December 2024, income tax was provided at rates ranging from 2.65% to 4% (2023: 2.65% to 4%) on the revenue from construction services and income tax of 20% (2023: 20%) was provided on the interest income from bank deposits, according to respective Indonesia income tax laws and regulations.

(vii) Malaysia income tax

One of the Company's subsidiaries incorporated in Malaysia is subject to Malaysia income tax. The applicable Malaysia income tax rate is 24% (2023: 24%) for the year ended 31 December 2024.

(viii) Saudi Arabia income tax

One of the Company's subsidiaries incorporated in Saudi Arabia is subject to Saudi Arabia income tax. The applicable Saudi Arabia income tax rate is 20% for the year ended 31 December 2024.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate to profits of the consolidated entities as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
(Loss)/profit before income tax	**(68,045)**	50,529
Tax calculated at the respective applicable income tax rates	**(11,823)**	20,979
Expenses not deductible for tax purpose	**469**	362
Super deduction of research and development expenses	**(2,368)**	(1,838)
Temporary differences for which no deferred tax asset was recognised	**8,763**	—
Tax losses for which no deferred tax asset was recognised	**1,383**	—
Adjustments for current income tax of prior periods	**4,780**	276
Tax charge	**1,204**	19,779

During the years ended 31 December 2024 and 2023, no dividend withholding tax for companies in the PRC, Indonesia and Malaysia was provided as the directors have confirmed that the Group does not expect these subsidiaries to distribute their retained earnings in the foreseeable future to the holding companies as at 31 December 2024 and 2023.

12 BASIC AND DILUTED (LOSSES)/EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic (losses)/earnings per share is based on the (loss)/profit for the year attributable to the Shareholders of the Company and the weighted average number of ordinary shares in issue during the year as adjusted to exclude the shares repurchased under the share award scheme as at 31 December 2024 and 2023.

	Year ended 31 December	
	2024	2023
(Loss)/profit attributable to the Shareholders of the Company (RMB'000)	**(69,249)**	30,750
Weighted average number of ordinary shares in issue (thousands)	**819,008**	819,008
Total basic (loss)/earnings per share attributable to the ordinary equity holders of the Group (RMB cents)	**(8.46)**	3.75

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share is of the same amount as the basic (losses)/earnings per share as there was no potentially dilutive ordinary share outstanding as at 31 December 2024 and 2023.

13 SUBSIDIARIES

As at 31 December 2024, the Company had direct and indirect interests in the following subsidiaries:

Name of entity	Place of incorporation/ establishment and type of legal entity	Date of incorporation/ establishment	Issued and Paid-in capital	Ownership interest held by the Group	Principal activities and place of operation
Direct:					
HuaZi Rosely Limited	BVI, limited liability company	5 January 2018	US$19,450,000	100%	Investment holding, BVI
Maritime Vansun Limited	BVI, limited liability company	5 January 2018	US$1	100%	Investment holding, BVI
Engineering Prosper Limited	BVI, limited liability company	5 January 2018	US$1	100%	Investment holding, BVI
Pahaytc & Benteng JV Sdn Bhd.	Brunei, limited liability company	19 January 2016	Brunei dollar ("**BN$**") 25,000	100%	Provision of engineering and construction services, Brunei
PT. Shanghai Third Harbor Benteng Construction and Engineering	Indonesia, limited liability company	21 September 2016	Indonesian Rupiah ("**IDR**") 13,162,000,000	100%	Provision of engineering and construction services, Indonesia
Indirect:					
Royal Karry HK Engineer Limited	HK, limited liability company	8 February 2018	US$19,449,750	100%	Investment holding, HK
Shanghai Shanyu Construction and Engineering Co., Ltd.	PRC, wholly foreign owned enterprise	30 November 2017	RMB122,440,000	100%	Investment holding, PRC
Shanghai Yubo Construction and Engineering Co., Ltd.	PRC, limited liability company	1 December 2017	RMB120,000,000	100%	Investment holding, PRC
Shanghai Xingning Construction and Engineering Co., Ltd. ("**Shanghai Xingning**")	PRC, limited liability company	14 December 2017	RMB120,000,000	100%	Investment holding, PRC
Third Harbor Maritime(i)	PRC, limited liability company	14 August 2017	RMB120,000,000	100%	Provision of engineering and construction services, PRC
Watts Gallop Construction Engineering Group Co., Ltd. ("**Watts Gallop Construction**")(ii)	PRC, limited liability company	10 December 1999	RMB130,500,000	100%	Provision of Municipal Public construction services, PRC
Shanghai Watts Benteng Municipal Public Engineering Co., Ltd.	PRC, limited liability company	30 April 2019	RMB130,500,000	100%	Investment holding, PRC

13 SUBSIDIARIES (Continued)

Name of entity	Place of incorporation/ establishment and type of legal entity	Date of incorporation/ establishment	Issued and Paid-in capital	Ownership interest held by the Group	Principal activities and place of operation
Indirect:					
Lanxi Watts Construction Engineering Co., Ltd.	PRC, limited liability company	2 March 2016	RMB26,500,000	100%	Provision of Municipal Public construction services, PRC
Watts Environmental(iii)	PRC, limited liability company	7 July 2020	RMB10,000,000	100%	Provision of engineering and construction services, PRC
Watts Zhihe (Shanghai) Cultural And Creative Development Co., Ltd. ("**Watts Zhihe**")(iv)	PRC, limited liability company	26 November 2021	—	100%	Provision of consulting services, PRC
Shanghai Third Harbor Benteng Maritime Engineering Malaysia Sdn. Bhd.	Malaysia, limited liability company	15 November, 2022	Malaysian Ringgit ("**MYR**") 1,000,000	100%	Provision of engineering and construction services, Malaysia
Shanghai Fangyun Industrial Co., Ltd. ("**Shanghai Fangyun**")(v)	PRC, limited liability company	14 July 2023	—	100%	Provision of construction materials trade, PRC
Royal Karry HK Engineering Company Limited for Contracting	Saudi Arabia, limited liability company	12 August 2024	USD100,000	100%	Provision of engineering and construction services, Saudi Arabia
Wuyuan Huazi Construction Co., Ltd. ("**Wuyuan Huazi**") (vi)	PRC, limited liability company	8 October, 2024	—	100%	Provision of Municipal Public construction services, PRC

(i) The issued capital of Third Harbor Maritime is RMB200,000,000, of which RMB80,000,000 has not been paid as at 31 December 2024.

(ii) The issued capital of Watts Gallop Construction is RMB518,000,000, of which RMB387,500,000 has not been paid as at 31 December 2024.

(iii) The issued capital of Watts Environmental is RMB50,000,000, of which RMB40,000,000 has not been paid as at 31 December 2024.

(iv) The issued capital of Watts Zhihe is RMB10,000,000, of which RMB9,500,000 has not been paid as at 31 December 2024.

(v) The issued capital of Shanghai Fangyun is RMB5,000,000, which has not been paid as at 31 December 2024.

(vi) The issued capital of Wuyuan Huazi is RMB200,000, which has not been paid as at 31 December 2024.

14 PROPERTY, PLANT AND EQUIPMENT

	Industrial machinery and equipment RMB'000	Transport equipment RMB'000	Buildings RMB'000	Office supplies and electronic equipment RMB'000	Leasehold improvements RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2023							
Cost	171,117	14,352	16,526	13,330	4,181	2,724	222,230
Accumulated depreciation	(116,447)	(13,114)	(7,310)	(5,721)	(2,557)	—	(145,149)
Net book amount	54,670	1,238	9,216	7,609	1,624	2,724	77,081
Year ended 31 December 2023							
Opening net book amount	54,670	1,238	9,216	7,609	1,624	2,724	77,081
Additions	5,181	—	—	419	956	1,056	7,612
Depreciation charge *(Note 8)*	(10,192)	(324)	(1,500)	(1,039)	(1,018)	—	(14,073)
Disposals	(108)	—	(4)	(2,383)	—	—	(2,495)
Currency translation differences	124	—	—	243	—	—	367
Closing net book amount	49,675	914	7,712	4,849	1,562	3,780	68,492
At 31 December 2023							
Cost	176,314	14,352	16,522	11,609	5,137	3,780	227,714
Accumulated depreciation	(126,639)	(13,438)	(8,810)	(6,760)	(3,575)	—	(159,222)
Net book amount	49,675	914	7,712	4,849	1,562	3,780	68,492

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Industrial machinery and equipment *RMB'000*	Transport equipment *RMB'000*	Buildings *RMB'000*	Office supplies and electronic equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction-in-progress *RMB'000*	Total *RMB'000*
Year ended 31 December 2024							
Opening net book amount	49,675	914	7,712	4,849	1,562	3,780	68,492
Additions	299	153	—	77	3,578	—	4,107
Depreciation charge *(Note 8)*	(9,071)	(134)	(1,008)	(2,439)	(780)	—	(13,432)
Disposals	(2,283)	(549)	(1,046)	(269)	—	—	(4,147)
Transfers	—	—	—	—	3,780	(3,780)	—
Currency translation differences	(47)	—	—	(34)	—	—	(81)
Closing net book amount	38,573	384	5,658	2,184	8,140	—	54,939
At 31 December 2024							
Cost	170,223	13,956	15,475	11,261	12,443	—	223,358
Accumulated depreciation	(131,650)	(13,572)	(9,817)	(9,077)	(4,303)	—	(168,419)
Net book amount	38,573	384	5,658	2,184	8,140	—	54,939

During the years ended 31 December 2024 and 2023, the amounts of depreciation expenses charged to the consolidated statement of comprehensive income are as follows:

	Year ended 31 December	
	2024 *RMB'000*	2023 *RMB'000*
Cost of sales	**8,588**	10,783
Selling and distribution expenses	**16**	27
Administrative expenses	**4,769**	3,204
Other operating expenses	**59**	59
	13,432	14,073

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values of 0% to 5% over their estimated useful lives, as follows:

• Industrial machinery and equipment	3–25 years
• Transport equipment	3–8 years
• Buildings	5–20 years
• Office supplies and electronic equipment	3–5 years
• Leasehold improvements	3 years

See Note 37.5 for the other accounting policies relevant to property, plant and equipment.

15 INVESTMENT PROPERTIES

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Opening net book amount	**16,735**	—
Additions	**—**	16,824
Disposal	**(3,066)**	—
Impairment *(Note 8)*	**(3,252)**	—
Depreciation *(Note 8)*	**(435)**	(89)
Closing net book amount	**9,982**	16,735

The Group's investment properties are stated at historical cost at the end of each reporting period.

The closing net book amount is considered to be a reasonable approximation of their fair value as at the balance sheet date.

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

This note provides information for leases where the Group is a lessee.

(a) Right-of-use assets

	Land use rights RMB'000	Land under leases RMB'000	Properties RMB'000	Total RMB'000
Year ended 31 December 2023				
Opening net book amount	9,444	2,654	366	12,464
Additions	—	2,678	1,238	3,916
Depreciation charge *(Note 8)*	(260)	(802)	(551)	(1,613)
Disposals	(335)	(2,522)	—	(2,857)
Closing net book amount	8,849	2,008	1,053	11,910
At 31 December 2023				
Cost	11,875	4,596	5,208	21,679
Accumulated depreciation	(3,026)	(2,588)	(4,155)	(9,769)
Net book amount	8,849	2,008	1,053	11,910
Year ended 31 December 2024				
Opening net book amount	**8,849**	**2,008**	**1,053**	**11,910**
Depreciation charge *(Note 8)*	**(271)**	**(1,339)**	**(300)**	**(1,910)**
Disposals	**—**	**—**	**(431)**	**(431)**
Closing net book amount	**8,578**	**669**	**322**	**9,569**
At 31 December 2024				
Cost	**11,875**	**4,596**	**4,777**	**21,248**
Accumulated depreciation	**(3,297)**	**(3,927)**	**(4,455)**	**(11,679)**
Net book amount	**8,578**	**669**	**322**	**9,569**

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(a) Right-of-use assets (Continued)

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Cost of sales	**1,339**	802
Administrative expenses	**300**	551
Other operating expenses	**271**	260
	1,910	1,613

(b) Lease liabilities

The balance sheet shows the following lease liabilities:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Lease liabilities		
Current	**272**	3,541
Non-current	**65**	366
	337	3,907

The amounts charged to the statement of comprehensive income are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Interest expense (included in finance cost)	**62**	59
Expense relating to short-term leases (included in cost of sales)	**36,480**	102,842
	36,542	102,901

During the year ended 31 December 2024, the total cash outflow for leases was approximately RMB40,174,000 (2023: RMB103,944,000).

17 INTANGIBLE ASSETS

	Licences RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2023			
Cost	100	1,455	1,555
Accumulated amortisation	(99)	(1,309)	(1,408)
Net book amount	1	146	147
Year ended 31 December 2023			
Opening net book amount	1	146	147
Additions	—	56	56
Amortisation charge	(1)	(132)	(133)
Closing net book amount	—	70	70
At 31 December 2023			
Cost	100	1,544	1,644
Accumulated amortisation	(100)	(1,474)	(1,574)
Net book amount	—	70	70
Year ended 31 December 2024			
Opening net book amount	**—**	**70**	**70**
Amortisation charge	**—**	**(27)**	**(27)**
Closing net book amount	**—**	**43**	**43**
At 31 December 2024			
Cost	**—**	**945**	**945**
Accumulated amortisation	**—**	**(902)**	**(902)**
Net book amount	**—**	**43**	**43**

Amortisation charges of intangible assets were charged to "Administrative expenses" in the consolidated statement of comprehensive income.

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortised cost		
— Trade and other receivables excluding prepayments and prepaid taxation	**1,729,961**	1,678,975
— Time deposits *(Note 22)*	**—**	1,831
— Restricted cash *(Note 22)*	**144,744**	161,020
— Cash and cash equivalents *(Note 22)*	**342,658**	255,754
Financial assets at fair value through other comprehensive income *(Note 19)*	**4,098**	16,654
Total	**2,221,461**	2,114,234
Financial liabilities		
Liabilities at amortised cost		
— Borrowings *(Note 28)*	**280,498**	203,169
— Trade and other payables excluding payroll and social security and other tax liabilities	**2,119,252**	2,047,605
— Lease liabilities *(Note 16)*	**337**	3,907
Total	**2,400,087**	2,254,681

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income are equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. Equity investments at FVOCI comprise the following individual investments:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Non-current assets		
Listed securities	**4,098**	4,784
Unlisted securities	**—**	11,870
	4,098	16,654

As at 31 December 2024, the fair value of the financial assets at FVOCI is approximately RMB4,098,000 (2023: RMB16,654,000). The changes of fair value of these financial assets are recorded within the other reserve in consolidated financial statements.

During the year, the unlisted securities has been disposed with consideration of RMB37,718,000. The Group recognised post-tax other comprehensive income of RMB21,285,000 during the reporting period, and transferred the accumulated gain on disposal of this financial asset of RMB29,936,000 to retained earnings (Note 26).

20 INVENTORIES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Raw materials	**6,383**	11,082

Inventories recognised as an expense during the year ended 31 December 2024 amounted to RMB835,336,000 (2023: RMB989,067,000) (Note 8), of which included in cost of sales amounted to RMB818,802,000 (2023: RMB970,734,000) and included in research and development expenses amounted to RMB16,534,000 (2023: RMB18,333,000). There were no provision for or reversal of write-down of inventories during the years ended 31 December 2024 and 2023.

21 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Trade receivables *(i)*	**1,274,771**	1,302,077
Bills receivables	**64,551**	92,686
Trade and bills receivables	**1,339,322**	1,394,763
Less: allowance for impairment of trade receivables *(v)*	**(148,350)**	(92,666)
Trade and bills receivables — net	**1,190,972**	1,302,097
Retention receivables *(ii)*	**299,988**	322,635
Less: allowance for impairment of retention receivables *(v)*	**(36,678)**	(61,436)
Retention receivables — net	**263,310**	261,199
Long-term trade receivables *(iii)*	**45,491**	43,235
Less: allowance for impairment of long-term trade receivables *(v)*	**(3,315)**	(2,592)
Long-term trade receivables-net	**42,176**	40,643
Other receivables *(iv)*	**233,503**	75,036
Prepayments	**163,364**	119,868
Prepaid taxation	**4,588**	1,698
Total	**1,897,913**	1,800,541
Less: non-current portion		
Retention receivables *(ii)*	**(41,974)**	(69,954)
Long-term trade receivables *(iii)*	**(38,201)**	(36,810)
Other receivables *(iv)*	**(16,380)**	(8,879)
	(96,555)	(115,643)
Current portion	**1,801,358**	1,684,898

21 TRADE AND OTHER RECEIVABLES (Continued)

(i) Trade and bills receivables

The Group's revenues are generated through marine construction services and municipal public construction services. Settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. The credit terms granted to customers by the Group are usually 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue receivables 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 and there may be concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances.

As at 31 December 2024, bills receivables with a total net book amount of RMB20,208,000 (2023: RMB31,669,000) were pledged as collateral for the Group's bank borrowings (Note 28).

As at 31 December 2024 and 2023, the ageing analysis of the trade and bills receivables based on the payment requests acknowledged by the customers is as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**453,014**	548,739
4 to 6 months	**120,402**	72,456
7 to 12 months	**277,609**	374,768
1 to 2 years	**174,615**	167,238
2 to 3 years	**120,472**	80,453
Over 3 years	**193,210**	151,109
	1,339,322	1,394,763

21 TRADE AND OTHER RECEIVABLES (Continued)

(ii) Retention receivables

Retention receivables represent amounts due from customers upon completion of the free maintenance periods of the construction services, which normally last from one to five years, and the maintenance cost is usually immaterial during that period. In the consolidated 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 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**62,586**	117,668
1 to 2 years	**60,021**	17,534
2 to 3 years	**12,528**	72,019
3 to 4 years	**70,615**	40,035
4 to 5 years	**24,608**	51,560
Over 5 years	**69,630**	23,819
	299,988	322,635

(iii) Long-term trade receivables

Long-term trade receivables represent amounts due from customers for services relating to a public-private-partnership performed by the private investor with quarterly instalment in fifteen years. Long-term trade receivables were measured at amortised cost using the effective interest method at average rate of 5.39%.

As at 31 December 2024, the Group pledged certain long-term trade receivables with carrying amount of approximately RMB42,176,000 (2023:RMB40,643,000) for the long-term bank borrowings amounted to RMB9,500,000 (2023: RMB14,500,000) as disclosed in Note 28(i).

(iv) Other receivables

Other receivables mainly represent tender deposits and performance deposits due from customers. The tender deposits are usually returned after the bidding process, which may last approximately three months. The performance deposits are usually returned after the construction project is finished. Certain other receivables represent the reimbursed expenses paid on behalf of related parties (Note 33(b)). The carrying amounts of the receivables approximated their fair values as at the balance sheet date. Other receivables are classified as current assets if they are expected to be paid in one year or less. If not, they are presented as non-current assets.

21 TRADE AND OTHER RECEIVABLES (Continued)

(v) The Group applies simplified approach to provide for expected credit losses prescribed in HKFRS 9 as disclosed in Note 3.1(b). Provision for impaired receivables has been included in "Net impairment losses on financial assets" in the consolidated statement of comprehensive income.

(vi) The gross amounts, before making provisions, of the Group's trade receivables, bills receivables, retention receivables, long-term trade receivables and other receivables are denominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
RMB	**1,713,248**	1,665,447
IDR	**119,872**	142,270
US$	**80,420**	14,289
HK$	**3,082**	1,844
BN$	**1,613**	5,104
MYR	**69**	6,715
	1,918,304	1,835,669

22 TIME DEPOSITS, RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Cash on hand	**604**	652
Cash at bank	**486,798**	417,953
	487,402	418,605
Less: Time deposits *(i)*	**—**	(1,831)
Restricted cash *(ii)*	**(144,744)**	(161,020)
	342,658	255,754

(i) Time deposits

The time deposits held by the Group as at 31 December 2023 of RMB1,831,000 bore interests at 2.05% per annual and with a term period of one year. The deposit was pledged for the Group's issue of bank letter of guarantees for projects.

(ii) Restricted cash

The restricted cash represents the following balances:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Deposits for wages of migrant labours	**78,243**	80,511
Restricted cash for project expenditure	**62,799**	62,958
Restricted cash for litigation	**3,390**	17,246
Deposits for issuing letter of guarantee	**312**	305
	144,744	161,020

(iii) The Group's cash at bank and on hand are denominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
RMB	**453,095**	388,658
IDR	**19,406**	15,862
US$	**9,551**	8,296
MYR	**2,667**	3,950
BN$	**1,269**	1,281
HK$	**775**	558
Saudi Riyal ("**SAR**")	**639**	—
	487,402	418,605

23 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Amount: Equivalent nominal value of ordinary share *RMB'000*	Amount: Share premium *RMB'000*	Amount: Total *RMB'000*
Authorised:				
At 1 January 2023, 31 December 2023 and 2024	10,000,000,000	88,498	—	88,498
Issued:				
Balance as at 1 January 2023	825,400,000	7,303	280,092	287,395
Dividends *(Note 30)*	—	—	(7,018)	(7,018)
Balance as at 31 December 2023	825,400,000	7,303	273,074	280,377
Dividends *(Note 30)*	**—**	**—**	**(7,630)**	**(7,630)**
Balance as at 31 December 2024	**825,400,000**	**7,303**	**265,444**	**272,747**

The total number of issued share capital of the Company comprised 825,400,000 ordinary shares with a par value of HK$0.01 each as at 31 December 2024 and 2023.

24 SHARES HELD FOR EMPLOYEE SHARE SCHEME

The Group has adopted a share award scheme (the "**Scheme**"), effective from 24 March 2020 (the "**Adoption Date**"). The Scheme is established to, among other things, recognise the contributions of the eligible persons and motivate them to strive for the future development and expansion of the Group. The Scheme will initially be valid and effective for the period commencing on the Adoption Date and ending on the business day immediately prior to the 10th anniversary of the Adoption Date. Pursuant to the Scheme, the award shares will be satisfied by existing Shares to be acquired by a trustee (the "**Trustee**") on the market. The total number of the award shares underlying all grants made pursuant to the Scheme shall not exceed 10% of the issued share capital of the Group as at the Adoption Date.

During the year ended 31 December 2020, the Group has set up a trust specially for the management of the Scheme and through the trust, a total of 6,392,000 shares of the Group have been purchased by the Trustee at a cost of approximately HK$5,263,000 (equivalent to approximately RMB4,756,000). No shares have been granted during the years ended 31 December 2024 and 2023.

25 OTHER RESERVES

	Other reserves				
	Statutory reserve *RMB'000* *Note (a)*	Merge reserve *RMB'000*	Financial assets at FVOCI *RMB'000*	Exchange reserve *RMB'000* *Note (b)*	Total *RMB'000*
Balance as at 1 January 2023	47,900	(19,051)	3,711	(2,175)	30,385
Appropriation to statutory reserves *(a)*	3,970	—	—	—	3,970
Currency translation differences *(b)*	—	—	—	(4,593)	(4,593)
Revaluation *(c)*	—	—	1,367	—	1,367
Income tax relating to these items	—	—	(75)	—	(75)
Balance as at 31 December 2023	51,870	(19,051)	5,003	(6,768)	31,054
Balance as at 1 January 2024	**51,870**	**(19,051)**	**5,003**	**(6,768)**	**31,054**
Currency translation differences *(b)*	**—**	**—**	**—**	**418**	**418**
Revaluation *(c)*	**—**	**—**	**25,162**	**—**	**25,162**
Income tax relating to these items	**—**	**—**	**(3,877)**	**—**	**(3,877)**
Transfer to retained earnings	**—**	**—**	**(29,936)**	**—**	**(29,936)**
Balance as at 31 December 2024	**51,870**	**(19,051)**	**(3,648)**	**(6,350)**	**22,821**

(a) Statutory reserves comprise statutory surplus reserve of the subsidiary companies in the PRC. The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the PRC accounting regulations and before distribution to shareholders. The percentages to be appropriated to such statutory reserve are determined according to the relevant regulations in the PRC at rate of 10% or at the discretion of the board of directors of the PRC subsidiaries, and further appropriation is optional when the accumulated fund is 50% or more of the registered capital of the subsidiaries.

(b) Exchange reserve of the Group represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from RMB, the presentation currency of the financial statements of the Company and the Group.

(c) The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in Note 19. These changes are recorded within the FVOCI reserve under equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

26 RETAINED EARNINGS

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
At beginning of year	**445,422**	418,642
(Loss)/profit for the year	**(69,249)**	30,750
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings, net of tax *(Note 19)*	**29,936**	—
Appropriation to statutory reserves	**—**	(3,970)
At end of year	**406,109**	445,422

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Trade payables *(i)*	**1,543,705**	1,525,923
Bills payables *(i)*	**21,000**	20,000
Retention payables *(ii)*	**219,016**	175,416
Long-term payables *(iii)*	**184,725**	202,396
Other payables *(iv)*	**150,806**	123,870
Payroll and social security	**20,635**	20,709
Other tax liabilities excluding income tax liabilities	**137,671**	148,561
	2,277,558	2,216,875
Less: non-current portion		
Retention payables *(ii)*	**(98,168)**	(117,656)
Long-term payables *(iii)*	**(49,425)**	(59,639)
Other payables *(iv)*	**(20,248)**	(19,947)
	(167,841)	(197,242)
Current portion	**2,109,717**	2,019,633

27 TRADE AND OTHER PAYABLES (Continued)

(i) As at 31 December 2024 and 2023, the ageing analysis of the trade and bills payables based on the payment requests or demand notes is as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**265,693**	299,432
4 to 6 months	**267,195**	258,707
7 to 12 months	**318,465**	259,133
1 to 2 years	**291,577**	313,762
2 to 3 years	**131,263**	137,678
Over 3 years	**290,512**	277,211
	1,564,705	1,545,923

The Group's trade payables are mainly denominated in RMB.

(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 five years. In the consolidated 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 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**18,570**	26,977
1 to 5 years	**190,604**	131,611
Over 5 years	**9,842**	16,828
	219,016	175,416

27 TRADE AND OTHER PAYABLES (Continued)

(iii) Long-term trade payables represent amounts due to suppliers for certain construction services with unbilled payables and the expected billing period is over one year. For some suppliers, usually 10% to 35% of the payments will be paid upon the completion of the construction and 5% to 10% of the payments will be paid after the warranty period expires. Long-term payables are measured at amortised cost using the effective interest method at the average rate from 3.45% to 5.01%. In the consolidated 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 analysis of the long-term payables is as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**39,073**	41,184
1 to 5 years	**127,399**	137,831
Over 5 years	**18,253**	23,381
	184,725	202,396

(iv) Other payables mainly represent performance deposits due to suppliers, which are usually repaid after the construction project is finished. Other payables are classified as current liabilities if they are expected to be paid in one year or less. If not, they are presented as non-current liabilities.

(v) The carrying amounts of the Group's trade and other payables, excluding non-financial liabilities, are denominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
— RMB	**1,936,571**	1,850,996
— IDR	**85,334**	145,904
— BND	**45,870**	43,643
— HKD	**35,004**	—
— MYR	**13,826**	4,511
— USD	**2,647**	2,551
	2,119,252	2,047,605

28 BORROWINGS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Non-current		
Long-term bank borrowings — secured *(i)*	**4,500**	9,500
Current		
Short-term bank borrowings — Secured *(ii)*	**20,208**	31,669
Short-term bank borrowings — Guaranteed *(iii)*	**155,990**	75,000
Short-term bank borrowings — Unsecured *(iv)*	**94,800**	82,000
Long-term bank borrowings due within one year — secured	**5,000**	5,000
	280,498	203,169

The Group's borrowings comprised:

(i) As at 31 December 2024, the secured long-term bank borrowings of RMB9,500,000 (2023: RMB14,500,000) were secured by the pledge of long-term trade receivables carrying amount of approximately RMB42,176,000 (2023: RMB40,643,000) (Note 21), and guaranteed by Zhejiang Kexin Engineering Materials Co., Ltd. ("**Zhejiang Kexin**"), a third party.

(ii) As at 31 December 2024, short-term borrowings of RMB20,208,000 (2023: RMB31,669,000) were secured by the pledged of the Group's bills receivables with net book amount of RMB20,208,000 (2023: RMB31,669,000) (Note 21).

(iii) As at 31 December 2024, short-term borrowings totalling RMB155,990,000 (2023: RMB75,000,000) were supported by guarantees from related companies controlled by the ultimate controlling shareholder.

(iv) As at 31 December 2024, unsecured short-term borrowings of RMB94,800,000 (2023: RMB82,000,000) were supported by guarantee from a subsidiary of the Company.

28 BORROWINGS (Continued)

At 31 December 2024 and 2023, the Group's borrowings were repayable as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**275,998**	193,669
Between 1 and 2 years	**4,500**	5,000
Between 2 and 5 years	**—**	4,500
	280,498	203,169

The bank borrowings of the Group as at the respective balance sheet dates are all at fixed interest rate. The weighted average effective interest rate during the year ended 31 December 2024 was 3.65% (2023: 3.90%) per annual.

The carrying amount and fair value of non-current borrowings are as follows:

	As at 31 December			
	2024		2023	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Non-current				
Bank borrowings	**4,500**	**4,537**	9,500	9,577

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 3.4) due to the use of unobservable inputs, including own credit risk.

For the current borrowings, the fair values are not materially different to their carrying amounts, since the borrowings are of a short-term nature.

29 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Deferred tax assets:		
— Deferred tax assets to be recovered within 12 months	**1,388**	1,816
— Deferred tax assets to be recovered after more than 12 months	**38,962**	34,023
	40,350	35,839
Set-off of deferred tax liabilities pursuant to set-off provisions	**(3,967)**	(10,007)
Net deferred tax assets	**36,383**	25,832
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered within 12 months	**(584)**	(809)
— Deferred tax liabilities to be recovered after more than 12 months	**(7,198)**	(10,579)
	(7,782)	(11,388)
Set-off of deferred tax assets pursuant to set-off provisions	**3,967**	10,007
Net deferred tax liabilities	**(3,815)**	(1,381)

29 DEFERRED INCOME TAX (Continued)

(a) Deferred tax assets

The movement in deferred tax assets and liabilities during the years ended 31 December 2024 and 2023, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Allowance for impairment of financial assets and contract assets RMB'000	Tax losses RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	29,206	1,622	1,292	1,255	33,375
Credited/(charged) to profit or loss	4,427	(1,622)	(570)	229	2,464
At 31 December 2023	33,633	—	722	1,484	35,839
At 1 January 2024	**33,633**	**—**	**722**	**1,484**	**35,839**
Credited/(charged) to profit or loss	**4,169**	**—**	**(376)**	**718**	**4,511**
At 31 December 2024	**37,802**	**—**	**346**	**2,202**	**40,350**

Deferred tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

As at 31 December 2024 and 2023, the expiration of tax losses carried forward for which deferred income tax assets is not recognised is as follows:

	As at 31 December	
	2024 *RMB'000*	2023 *RMB'000*
Tax losses within five years	**9,229**	—

29 DEFERRED INCOME TAX (Continued)

(a) Deferred tax assets (Continued)

As at 31 December 2024 and 2023, unrecognised temporary differences are as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Temporary difference for which no deferred tax asset or liability is recognised:		
— Allowance for impairment of financial assets and contract assets	**57,729**	—
— Accrued payroll	**688**	—
	58,417	—

(b) Deferred tax liabilities

	Property, plant and equipment	Long-term payables	Right-of-use assets	Fair value change of FVOCI	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	(4,828)	(5,646)	(1,102)	(1,331)	(38)	(12,945)
Credited to profit or loss	731	667	234	—	—	1,632
Debit to other comprehensive income	—	—	—	(75)	—	(75)
At 31 December 2023	(4,097)	(4,979)	(868)	(1,406)	(38)	(11,388)
At 1 January 2024	**(4,097)**	**(4,979)**	**(868)**	**(1,406)**	**(38)**	**(11,388)**
Credited/(charged) to profit or loss	**498**	**1,336**	**366**	**—**	**—**	**2,200**
Debit to other comprehensive income	**—**	**—**	**—**	**1,406**	**—**	**1,406**
At 31 December 2024	**(3,599)**	**(3,643)**	**(502)**	**—**	**(38)**	**(7,782)**

30 DIVIDENDS

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Final, proposed	**—**	7,630

The Board does not recommend a final dividend for the year ended 31 December 2024 (2023: HK1.02 cent per share, representing total amount of approximately HK$8,419,000, equivalent to approximately RMB7,630,000).

31 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
(Loss)/profit before income tax	**(68,045)**	50,529
Adjustments for:		
— Depreciation of property, plant and equipment *(Note 14)*	**13,432**	14,073
— Depreciation of investment property *(Note 15)*	**435**	89
— Depreciation of right-of-use assets *(Note 16)*	**1,910**	1,613
— Amortisation of intangible assets *(Note 17)*	**27**	133
— (Gains)/losses on disposal of property, plant and equipment, and land use rights — net *(Note 7)*	**240**	(3,115)
— Dividend income from financial assets through other comprehensive income *(Note 7)*	**(305)**	(282)
— Provision for impairment of financial assets and contract assets *(Note 3.1)*	**48,341**	20,289
— Provision for impairment of Investment properties	**3,252**	—
— Finance costs — net *(Note 10)*	**19,213**	16,486
— Net foreign exchange gains	**(628)**	(582)
Operating capital before working capital changes	**17,872**	99,233
Changes in working capital:		
— Decrease/(increase) in restricted cash	**16,276**	5,261
— Decrease in inventories	**4,699**	911
— Decrease in contract assets	**11,911**	198,350
— (Decrease)/increase in contract liabilities	**26,519**	(95,784)
— Increase in trade and other receivables	**(125,762)**	(312,376)
— Decrease in trade and other payables	**51,391**	(89,105)
Cash generated from/(used in) operations	**2,906**	(193,510)

(b) Non-cash investing and financing activities

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Settlement of trade payables through investment properties *(Note 15)*	**(3,066)**	—
(Loss)/gains recognised in other comprehensive income related to equity Investments *(Note 19)*	**(686)**	1,367
Settlement of trade receivables through investment properties *(Note 15)*	**—**	16,824
	(3,752)	18,191

31 CASH GENERATED FROM OPERATIONS (Continued)

(c) Proceeds from disposal of property, plant and equipment, and land use rights

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Net book amount for disposals of property, plant and equipment *(Note 14)*	**4,147**	2,495
Net (losses)/gains on disposal of property, plant and equipment, and land use rights *(Note 7)*	**(240)**	3,115
Net book amount for disposals of land use rights *(Note 16)*	**—**	335
Proceeds from disposal of property, plant and equipment, and land use rights	**3,907**	5,945

(d) Reconciliation of liabilities arising from financing activities

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents	Borrowings (Current)	Borrowings (Non-current)	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at 1 January 2023	540,175	(231,411)	(14,500)	(4,501)	289,763
Finance charges for lease liabilities	—	—	—	(508)	(508)
Non-cash changes reclassification	—	(5,000)	5,000	—	—
Cash flows	(284,679)	42,742	—	1,102	(240,835)
Foreign exchange adjustments	258	—	—	—	258
Net debt as at 31 December 2023	255,754	(193,669)	(9,500)	(3,907)	48,678
Finance charges for lease liabilities	**—**	**—**	**—**	**(62)**	**(62)**
Non-cash changes reclassification	**—**	**(5,000)**	**5,000**	**—**	**—**
Cash flows	**86,612**	**(77,329)**	**—**	**3,632**	**12,915**
Foreign exchange adjustments	**292**	**—**	**—**	**—**	**292**
Net debt as at 31 December 2024	**342,658**	**(275,998)**	**(4,500)**	**(337)**	**61,823**

32 COMMITMENTS

(a) Capital commitments

As at 31 December 2024 and 2023, the Group and the Company did not have any significant capital commitments.

(b) Non-cancellable leases

As lessee

The Group leases various offices and land under non-cancellable operating leases expiring within one to three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Notes 16 and 37.22 for further information.

Minimum lease payments under non-cancellable leases not recognised in the financial statements are payable as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
No later than 1 year	**866**	905
Later than 1 year and no later than 2 years	**129**	222
Later than 2 years and less than 3 years	**—**	111
	995	1,238

33 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 years ended 31 December 2024 and 2023, and balances arising from related party transactions as at the respective balance sheet dates.

33 RELATED PARTY TRANSACTIONS (Continued)

Name and relationship with related parties are set out below:

Related party	Relationship
Mr. Wang Shizhong	Ultimate controlling shareholder
Shanghai Watts Gallop Holding Group Co., Ltd. ("**Watts Gallop**")	Controlled by the same ultimate controlling shareholder
Zhejiang Watts Benteng Real Estate Development Co., Ltd. ("**Watts Gallop Real Estate**")	Controlled by the same ultimate controlling shareholder
Subsidiaries of Watts Gallop	
Subsidiaries of Watts Gallop Real Estate	
Associates of Watts Gallop	

(a) Transactions with related parties

Save as disclosed elsewhere in these financial statements, during the years ended 31 December 2024 and 2023, the following transactions were carried out with related parties at terms mutually agreed by the underlying parties:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
(i) Provision of construction services *(i)*		
— Subsidiaries of Watts Gallop Real Estate	**49,923**	103,038
— Subsidiaries of Watts Gallop	**15,197**	48,990
— Watts Gallop Real Estate	**11,943**	31,492
— Associates of Watts Gallop	**779**	735
	77,842	184,255
(ii) Purchases of goods and services *(i)*		
— Subsidiaries of Watts Gallop	**6,919**	162
— Associates of Watts Gallop	**353**	1,080
— Subsidiary of Watts Gallop Real Estate	**2**	—
	7,274	1,242
(iii) Rental expenses		
— Subsidiaries of Watts Gallop	**2,365**	1,050
(iv) Property service expenses		
— Subsidiaries of Watts Gallop	**859**	196

33 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
(v) Hotel service expenses		
— Subsidiaries of Watts Gallop	**943**	—
(vi) Repayments of borrowings		
— Certain shareholders *(Note 28)*	**—**	12,000

(vii) Key management compensation

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Salaries, wages and allowances	**3,083**	2,779
Bonuses	**1,682**	1,917
Pension costs	**161**	179
	4,926	4,875

(i) The Group entered into construction services agreement and provided building construction services and public infrastructure construction services to these related parties during the years ended 31 December 2024 and 2023.

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 entered into in the ordinary courses of business of the Group and in accordance with the terms of the underlying agreements.

33 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

(i) Amounts due from related parties

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Trade and other receivables		
— Subsidiaries of Watts Gallop Real Estate	**159,625**	200,974
— Subsidiaries of Watts Gallop	**99,672**	59,470
— Associates of Watts Gallop	**9,790**	9,170
— Watts Gallop	**5,000**	—
— Watts Gallop Real Estate	**—**	10,225
	274,087	279,839

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Contract assets		
— Subsidiary of Watts Gallop Real Estate	**107,784**	76,661
— Watts Gallop Real Estate	**9,418**	10,891
— Subsidiary of Watts Gallop	**1,059**	1,059
	118,261	88,611

(ii) Amounts due to related parties

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Trade and other payables		
— Subsidiaries of Watts Gallop	**8,698**	3,208
— Watts Gallop	**7,988**	388
— Associates of Watts Gallop	**460**	1,054
	17,146	4,650

33 RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantees

As at 31 December 2024 and 2023, the Group's banking facilities were guaranteed by related parties as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
— Watts Gallop	**595,000**	330,000
— Subsidiaries of Watts Gallop	**201,455**	26,855
— Watts Gallop Real Estate	**86,750**	114,210
	883,205	471,065

34 CONTINGENCIES

As at 31 December 2024, there was one outstanding litigation claim against a subsidiary of the Group. According to the legal adviser for the claim, the scope and criteria of the loss appraisal lack relevance and rationality. The Company expects that the potential liability, legal fees and other costs and interest are not expected to be significant. As such, these legal proceedings individually or in aggregate would not have material financial or operational adverse impact on the consolidated financial statements of the Group.

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Investment in subsidiaries	**189,418**	189,418
Current assets		
Amount due from subsidiaries	**189,126**	197,077
Cash and cash equivalents	**271**	217
Total assets	**378,815**	386,712
EQUITY		
Capital		
Share capital	**7,303**	7,303
Share premium	**265,444**	273,074
Shares held for employee share scheme	**(4,756)**	(4,756)
Capital reserve	**65,859**	65,859
Accumulated losses	**(9,861)**	(7,340)
Total equity	**323,989**	334,140
LIABILITIES		
Current liabilities		
Trade and other payables	**50**	50
Amounts due to subsidiaries	**54,776**	52,522
Total liabilities	**54,826**	52,572
Total equity and liabilities	**378,815**	386,712

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2025 and was signed on its behalf.

Director *Director*

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

(b) Reserve movement of the Company

	Accumulated losses RMB'000	Capital reserve RMB'000
1 January 2023	(7,789)	65,859
Profit for the year	449	—
At 31 December 2023	(7,340)	65,859
Loss for the year	**(2,521)**	**—**
At 31 December 2024	**(9,861)**	**65,859**

36 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and chief executive emoluments

The remuneration expenses of every director and the chief executive officer ("**CEO**") recorded in the consolidated statement of comprehensive income are set out below:

Name	Fees RMB'000	Salaries, housing allowance and other allowances RMB'000	Bonuses RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Year ended 31 December 2024					
Executive directors					
Mr. Wang Xiuchun *(Chairman)*	—	543	499	39	1,081
Ms. Wan Yun *(CEO)*	—	556	699	50	1,305
Mr. Wang Lijiang	—	292	—	15	307
Mr. Wang Likai	—	350	—	—	350
Non-executive directors					
Mr. Wang Shizhong	—	—	—	—	—
Independent non-executive directors					
Mr. Sun Dajian	185	—	—	—	185
Mr. How Sze Ming	185	—	—	—	185
Mr. Wang Hongwei	185	—	—	—	185
	555	1,741	1,198	104	3,598

36 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors and chief executive emoluments (Continued)

Name	Fees	Salaries, housing allowance and other allowances	Bonuses	Contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023					
Executive directors					
Mr. Wang Xiuchun *(Chairman)*	—	544	499	39	1,082
Ms. Wan Yun *(CEO)*	—	557	699	50	1,306
Mr. Wang Lijiang	—	214	120	30	364
Mr. Wang Likai	—	350	—	—	350
Non-executive directors					
Mr. Wang Shizhong	—	—	—	—	—
Independent non-executive directors					
Mr. Sun Dajian	180	—	—	—	180
Mr. How Sze Ming	180	—	—	—	180
Mr. Wang Hongwei	180	—	—	—	180
	540	1,665	1,318	119	3,642

The remuneration shown above represents aggregate emoluments paid to or receivable by directors in respect of their services in connection with the management of the affairs of the Company or its subsidiaries undertaking.

None of the directors of the Company received or were paid any remuneration in respect of accepting office, and waived or agreed to waive any emolument for the years ended 31 December 2024 and 2023.

36 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefit

There were no retirement benefits paid to any director for the years ended 31 December 2024 and 2023.

(c) Directors' termination benefits

There were no termination benefits paid to any director for the years ended 31 December 2024 and 2023.

(d) Consideration provided to or receivable by third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services for the years ended 31 December 2024 and 2023.

(e) Information about loans, quasi-loans and other dealings in favour of directors

No loans, quasi-loans and other dealings were entered into between the Group and the directors in favour of the directors for the years ended 31 December 2024 and 2023.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, during the years ended 31 December 2024 and 2023.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

37.1 Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

37.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The management of the Company assesses the financial performance and position of the Group, and makes strategic decisions. The chief operating decision-maker has been identified as the executive directors.

37.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the functional currency of the PRC subsidiaries in the Group and the Company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other (losses)/gains — net".

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.4 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

37.5 Property, plant and equipment

Property, plant and equipment, comprising industrial machinery and equipment, office supplies and electronic equipment, transport equipment and buildings, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they incurred.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.5 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 37.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

Construction-in-progress represents properties under construction and is stated at cost less accumulated impairment, if any. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

37.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Investment properties is derecognised upon disposal or when no future economic benefits is expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the period in which the item is derecognised.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.7 Intangible assets

(a) *Licences*

Separately acquired licences are shown at historical cost. Licences have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. The licence of the Group contains four registered patent licence. The legal term of the registered patent rights is 10 years which the Group consider as the justification to have useful life of 10 years.

(b) *Software*

The software of the Group mainly includes computer software, which is capitalised on the basis of the cost incurred to acquire the specific software. These costs are amortised over the estimated useful life of 2–5 years.

(c) *Research and development*

Research expenditures are expensed as incurred. Development expenditure incurred on projects to develop new technology and skills is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete, its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Other development expenditure which does not meet these criteria is expensed when incurred.

37.8 Impairment of non-financial assets

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flow.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.9 Financial assets (Continued)

(c) ***Measurement*** (Continued)

(i) *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of comprehensive income and presented in "Other (losses)/gains — net", together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of the consolidated statement of comprehensive income.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other (losses)/gains — net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other (losses)/gains-net" and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated statement of comprehensive income and presented net within "Other (losses)/gains — net" in the period in which it arises.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.9 Financial assets (Continued)

(c) ***Measurement*** (Continued)

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other (losses)/gains — net" in the consolidated statement of comprehensive income as applicable. Impairment losses on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.4(a).

37.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

37.11 Inventories

Inventories including raw materials are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal.

37.12 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, cash at bank, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

37.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

37.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Long-term trade payables represent amounts due to suppliers for certain construction whose contractual payment periods are over one year. The Group determines the payment periods according to payment schedule in the contracts with suppliers, which is related to the estimated completion date of the project. The long-term trade payables are settled upon the completion of the project and measured at amortised cost using the effective interest method, which is used to calculate the discount amounts. Management reassesses the estimated completion date at each balance sheet date of the project and reassesses the discount rate upon derecognition.

37.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the end of the reporting period.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

37.18 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and dedutible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.18 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

37.19 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the financial position.

(b) Post-employment obligations

The Group operates post-employment schemes via defined contribution pension plans. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

For employees in Mainland China:

The employees of the Group's subsidiaries established in Mainland China participate in defined contribution retirement benefit plans organised by the relevant provincial governments under which the Group is required to make monthly contributions to these plans at certain percentages of the employees' monthly salaries and wages, subject to certain ceilings.

For employees in Hong Kong:

The Group participates in a Mandatory Provident Fund scheme (the "**MPF Scheme**") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees' gross earnings with a ceiling of HK$1,500 per month.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.19 Employee benefits (Continued)

(b) Post-employment obligations (Continued)

For employees in Indonesia:

The Group participates in an employee social security programme (the "**Indonesian Social Security Programme**") in Indonesia, providing compensation in the event of working accidents, death, old age, and in case of sickness and hospitalisation. Under the Indonesian Social Security Programme, the employer is required to contribute a fixed percentage of the employee's salaries every month.

For employees in Malaysia:

The Group participates in the social security programmes for employees in Malaysia, including EPF (Employees Provident Fund), EIS (Employment Insurance System) and the workers' compensation insurance programme administered by SOCSO (Social Security Organisation) to provide compensation in the event of old age, unemployment, work accident, death, sickness and hospitalisation. Under these programmes, the employer is required to contribute a fixed percentage of the employee's salaries each month.

For employees in Brunei:

The Group participates in a contribution scheme in accordance with the Employee Trust Act and Employee Trust Rules and Regulations of Brunei ("**Bruneian Contribution Scheme**"). Under the rules of the Bruneian Contribution Scheme, for the employees who are citizens and permanent residents of Brunei Darussalam aged below 55 years, the employees and the employers are each required to contribute a fixed percentage of the employee's basic salaries every month.

37.20 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Warranty provision is provided to customers in conjunction with the construction services. The warranty obligation arises through the contract signed between the Group and customers, which lasts from one to five years after completion of construction. The Group's retention money are collected after the warranty period. During the years ended 31 December 2024 and 2023, the warranty cost was rare and immaterial, therefore provision for the warranty obligation was not recognised.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.21 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

37.22 Leases

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.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group leases different equipment and land. Rental contracts for land are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Rental contracts for equipment are typically for construction projects with no fixed term periods and are for short-term lease purpose. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.22 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, e.g. term, currency and security.

Lease payments are allocated between principal 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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

37.22 Leases (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles 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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

37.23 Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, wherever appropriate.

37.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

37.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value (losses)/gains on these assets, see Note 7 above.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 above. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Five Year Financial Summary

	Year ended 31 December				
(RMB in million)	**2024**	2023	2022	2021	2020
Revenue	**1,534**	2,144	2,076	2,263	1,818
Gross profit	**99**	174	171	208	203
(Loss)/profit before income tax	**(68)**	51	40	58	59
Income tax expense	**(1)**	(20)	(13)	(11)	(12)
(Loss)/profit for the year	**(69)**	31	27	47	47

	Year ended 31 December				
(RMB in million)	**2024**	2023	2022	2021	2020
Non-current assets	**680**	615	791	814	732
Current assets	**2,667**	2,624	2,650	2,522	2,700
Total assets	**3,347**	3,239	3,441	3,336	3,432
Non-current liabilities	**176**	209	234	283	285
Current liabilities	**2,474**	2,278	2,476	2,350	2,483
Total liabilities	**2,650**	2,487	2,710	2,633	2,768
Total equity	**697**	752	731	703	664

Definitions

2025 AGM	the forthcoming annual general meeting of the Company to be held on Tuesday, 24 June 2025
Acting-in-concert Confirmation	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))
Audit Committee	the audit committee of the Company
Benteng Brunei	Pahaytc & Benteng JV Sdn Bhd, a company incorporated under the laws of Brunei with limited liability in January 2016
Benteng Indonesia	PT. Shanghai Third Harbor Benteng Construction and Engineering, a company incorporated under the laws of Indonesia on 16 September 2016 and obtained its legal entity status on 21 September 2016
Benteng Malaysia	Shanghai Third Harbor Benteng Maritime Engineering Malaysia Sdn. Bhd., a company incorporated under the laws of Malaysia with limited liability in November 2022, which is an operating entity of the Company in Malaysia
BN$	Brunei Dollars, the lawful currency of Brunei
Board	the board of Directors of the Company
BVI	the British Virgin Islands
Companies Act	the Companies Act (As Revised), Cap. 22 of the Cayman Islands
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
Controlling Shareholder(s)	has the meaning ascribed to it under the Listing Rules
Director(s)	director(s) of the Company
Engineering Prosper	Engineering Prosper Limited, a BVI business company incorporated under the laws of the BVI with limited liability on 5 January 2018 and is a direct wholly-owned subsidiary of the Company
Group	the Company and its subsidiaries from time to time

HK$	Hong Kong dollars, the lawful currency of Hong Kong
IDR	the Indonesian Rupiah, the lawful currency of Indonesia
Independent Third Party(ies)	an individual(s) or a company(ies) who or which is/are not connected person(s) of the Company within the meaning of the Listing Rules
Listing	the listing of the Shares on the Main Board of the Stock Exchange on 19 November 2018
Listing Date	19 November 2018, being the date from which the Shares were listed and dealings in the Shares was first permitted to take place on the Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
Major Currencies	RMB, HK$, BN$, IDR, MYR and US$, the major currencies used by the Group in conducting its business
MYR	Malaysian Ringgit, the lawful currency of Malaysia
Nomination Committee	the nomination committee of the Company
Placing	the offer of 185,714,000 Shares to as described in the section headed “Structure and Conditions of the Share Offer” in the Prospectus
PRC or China	the People’s Republic of China, but for the purpose of this annual report only and, unless the context otherwise requires, excluding Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and China Taiwan
Prospectus	the prospectus of the Company dated 30 October 2018
PTPB	PT. Indo Panshi Bumi, a company established under the laws of Indonesia on 17 January 2018, the current registered holder of 33% shareholding interest in Benteng Indonesia under the Contractual Arrangements, and a connected person
PTSP	PT. Indo Sichuan Petroleum, a company established under the laws of Indonesia on 3 November 2018, the former registered holder of 33% shareholding interest in Benteng Indonesia under the Contractual Arrangements

Remuneration Committee	the remuneration committee of the Company
Renminbi or RMB	Renminbi, the lawful currency of the PRC
Reporting Period	the period from 1 January 2024 to 31 December 2024
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
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
Shanghai Municipal Group	Shanghai Municipal and its subsidiaries
Share(s)	ordinary shares of HK$0.01 each in the share capital of the Company
Share Option Scheme	the share option scheme conditionally approved and adopted by the Company on 19 October 2018
Shareholder(s)	holder(s) of the Shares
Stock Exchange	The Stock Exchange of Hong Kong Limited
Third Harbor Construction	Shanghai Third Harbor Benteng Construction and Engineering Co., Ltd.* (上海三航奔騰建設工程有限公司) (formerly known as First Engineering Company of Third Harbor Bureau* (第三航務工程局第一工程公司)), a company established under the laws of the PRC as a limited liability company on 1 June 1989
Third Harbor Maritime	Shanghai Third Harbor Benteng Maritime Engineering Co., Ltd.* (上海三航奔騰海洋工程有限公司), established under the laws of the PRC as a limited liability company on 14 August 2017, and a wholly-owned subsidiary of our Company
US$ or USD	U.S. dollars, the lawful currency of U.S.
Watts Environmental	Shanghai Watts Environmental Technology Co., Ltd.* (上海華滋環境科技有限公司), a limited liability company established under the laws of the PRC on 8 July 2020, a wholly-owned subsidiary of Third Harbor Maritime

Definitions

Watts Gallop	Shanghai Watts Gallop Holding Group Co., Ltd.* (上海華滋奔騰控股集團有限公司) (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 Construction	Watts Gallop Construction Engineering Group Co., Ltd.* (華滋奔騰建工集團有限公司), a limited liability company established under the laws of the PRC as on 10 December 1999, a wholly-owned subsidiary of Shanghai Municipal
Watts Gallop Group	Watts Gallop and its subsidiaries

* *For identification purposes only*