



# 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  
2025

# CONTENTS

<b>2</b>	Corporate Information
<b>4</b>	Chairman's Statement
<b>7</b>	Management Discussion and Analysis
<b>11</b>	Biographical Details of Directors and Senior Management
<b>16</b>	Report of the Directors
<b>44</b>	Corporate Governance Report
<b>56</b>	Environmental, Social and Governance Report
<b>97</b>	Independent Auditor's Report
<b>105</b>	Consolidated Statement of Comprehensive Income/(Loss)
<b>106</b>	Consolidated Statement of Financial Position
<b>108</b>	Consolidated Statement of Changes in Equity
<b>110</b>	Consolidated Statement of Cash Flows
<b>111</b>	Notes to the Consolidated Financial Statements
<b>192</b>	Five Year Financial Summary
<b>193</b>	Definitions



## 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)  
Ms. Wang Lifang (王麗芳)

#### 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)  
Ms. Wang Lifang (王麗芳)

### 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  
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](http://www.shbt-china.com)

## Stock code

2258

# Chairman's Statement

Revenue of the Group  
for the year amounted to  
approximately RMB1,879.7 million



## Chairman's Statement

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 2025 to all Shareholders.

The Shares of the Group were successfully listed on the main board of The Stock Exchange 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 2025, global economic growth momentum remained weaker than expected, while geopolitical risks continued to evolve. Certain regional markets faced pressures from inflation, debt burdens, and supply chain adjustments. On the domestic front, amid the economic structural transformation, the recovery of effective demand remained uneven, and competition in the infrastructure investment sector became increasingly fierce. Braving such a complex and volatile operating landscape, the Group committed itself to the general working principle of steady progress. To that end, we made an ongoing effort to step up market environment monitoring, dynamically refined our business strategies, optimized resource allocation, and reinforced risk control. These measures have further enhanced our overall risk resilience.

In 2025, the Group recorded a revenue of approximately RMB1,879.7 million and net profit of approximately RMB33.1 million, of which approximately RMB728.9 million was generated from the marine construction segment and approximately RMB1,150.8 million was generated from the municipal public construction segment. Confronting intensified industry competition and extended collection cycles for certain projects, the Group continued to strengthen the management of the receivables and uphold prudent financial principles by making reasonable provisions for impairment losses to ensure the accuracy and robustness of its financial reports.

Looking ahead to 2026, although external shifts are expected to deepen, and the challenges to multilateralism and free trade will become more pronounced, infrastructure investment as a key sector underpinning economic and social development still holds growth potential, driven by structural trends such as regional interconnectivity, the development of the marine economy, and advancing urbanization. Building on its traditional strengths in ports, waterways, marine and municipal public engineering, the Group will focus on high-quality development, and dynamically refine its business strategies. By optimizing incremental projects and revitalizing existing assets, the Group will enable ongoing enhancement of its resource allocation efficiency for better overall ability to resist risks and navigate economic cycles.

## Chairman's Statement

In 2026, the Group will further optimize its domestic and overseas market layout. While consolidating our existing regional business network, we will dynamically assess the degree of openness, policy environment and competitive landscape across different markets to allocate resources in a rational and systemic manner and enhance our market competitiveness. Relying on the international cooperation of the existing industrial supply chain, the Group will continue to deepen its "4+1" business development strategy, promote structural optimization between its traditional core businesses, namely ports, waterways, marine and municipal public engineering, and the emerging environmental technology business to strengthen its foothold in the domestic market. In the meantime, the Group will enhance its integrated service capability to expand its overall revenue scale and increase the return to Shareholders.

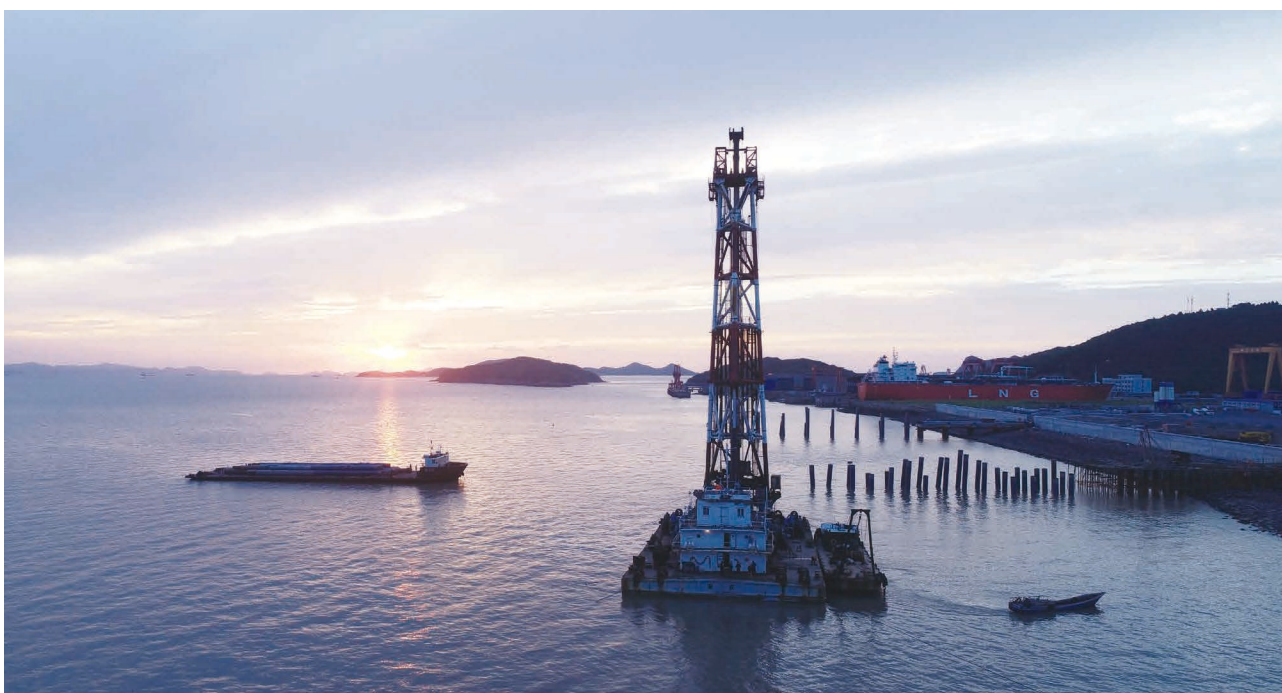
Finally, on behalf of the members of the Board, I would like to take this opportunity to express our heartfelt thanks to our Shareholders, management team, employees, customers, suppliers, subcontractors and other business partners for their support.

Best regards,

**Wang Xiuchun (王秀春)**

*Chairman*

26 March 2026



# Management Discussion and Analysis

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 top-tier construction capacity both in and outside China with a solid customer base. This sustains stable development of the Group and maximisation of return for its Shareholders.

In 2025, the Group recorded a revenue of RMB1,879.7 million, representing an increase of approximately 22.5% as compared with the year ended 31 December 2024. In 2025, amid challenges arising from changes in the macroeconomic environment and intensified industry competition, the Group seized market opportunities and achieved steady revenue growth by optimising its business structure and strengthening market development. Overall, revenue of the Group's marine construction segment and municipal public construction segment increased by approximately 46.6% and 11.0% respectively in 2025. In addition, the Group continued to enhance credit risk management. Based on a prudent assessment of uncertainties in the domestic and overseas economic environment, the Group made reasonable provision for expected credit losses to ensure asset quality and stability.

## Future Plans and Prospect

Leveraging on its core business strengths in ports, waterways and municipal construction, the Group will continue to actively expand into the emerging business of environmental engineering, and continuously optimise its business structure to enhance overall competitiveness.

For the domestic market, the domestic economy is undergoing profound transformation, and deep-rooted structural conflict and problems continue to arise. Insufficient growth momentum in consumption and investment has further intensified market competition in the traditional construction sector, which has, to a certain extent, disrupted the Group's expectations on the market development. Nevertheless, economic performance has been generally stable with steady progress. For the international market, the global economic and trading environment has changed drastically, and unilateralism and protectionism have sharply escalated. On the whole, demand for infrastructure development and sustainable development in regions such as Southeast Asia continues to grow, and development remains the fundamental trend. The overseas market will therefore remain a key focus of the Group's development.

Leveraging on its leading advantages and engineering experience in port, waterway, municipal engineering and other sectors, the Group will continue to optimise resource allocation, strengthen project management and cost control, and consistently enhance its competitiveness in both domestic and overseas markets. Meanwhile, the Group will strengthen account receivable management and historical project collection to reduce liquidity and credit risks, and steadily improve operational efficiency. Building on its traditional engineering business, the Group will further expand into emerging businesses including environmental management, urban regeneration and service model upgrading, so as to diversify its revenue streams and enhance returns for its Shareholders.

## Financial Overview

### Revenue

The Group's consolidated revenue in 2025 was RMB1,879.7 million, representing a year-on-year increase of approximately 22.5% from RMB1,534.2 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 RMB728.9 million and RMB1,150.8 million, respectively. Revenues from the PRC and Southeast Asia in 2025 were RMB1,619.4 million and RMB260.3 million, respectively. The increase in revenue in 2025 was mainly due to the Group's efforts on strengthening project management and maintaining an orderly progress of the projects, particularly a significant increase in revenue in marine construction segment.

### Cost of sales and profits from main operations

The consolidated cost of sales in 2025 was RMB1,698.1 million, representing an increase of approximately 18.3% from RMB1,435.7 million from 2024. The costs of sales of marine construction segment and municipal public construction segment in 2025 were RMB656.5 million and RMB1,041.6 million, respectively. In 2025, costs incurred in the PRC and Southeast Asia were RMB1,465.3 million and RMB232.8 million, respectively.

Cost of sales mainly consists of the cost of used raw materials and consumables and subcontracting costs. In 2025, cost of used raw materials and consumables and subcontracting costs were RMB928.8 million and RMB637.0 million, respectively, representing an increase of approximately 11.2% and 26.3% from 2024, respectively. The operating profit of the Group largely depends on the location and composition of the projects. The Group's consolidated gross profit in 2025 was RMB181.6 million, representing an increase of approximately 84.3% from RMB98.5 million in 2024.

### Net impairment losses on financial assets and contract assets

The Group's provision for loss allowance increased from RMB238.5 million as at 31 December 2024 to RMB270.0 million as at 31 December 2025, which mainly consisted of impairment provision on financial assets and contract assets. For the year ended 31 December 2025, such net impairment losses on financial assets and contract assets were approximately RMB32.7 million, representing an increase of RMB42.8 million from that of the first half of 2025. The net impairment losses as at 31 December 2025 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 RMB41.2 million.

### Administrative expenses

The administrative expenses in 2025 were RMB90.4 million, representing a decrease of approximately 8.9% as compared to RMB99.2 million in 2024. It was mainly due to the Group's further strengthening on cost control and management.

### Income tax expense

The Group's income tax expense in 2025 was RMB21.3 million, representing a significant increase compared to RMB1.2 million in 2024, which was mainly due to the Group's increased profit before tax.

### Trade and other receivables

The Group's net trade and other receivables increased to RMB2,030.9 million as at 31 December 2025 (as at 31 December 2024: RMB1,897.9 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 2025 was mainly due to the increase on other receivables, prepayments and retention receivables as domestic and foreign projects progressed. The Group has assessed the expected credit losses and has made proper provisions for impairment losses. The Group's contract assets decreased by RMB64.4 million to RMB776.4 million as at 31 December 2025 from RMB840.8 million as at 31 December 2024.

### Trade and other payables

The Group's trade and other payables slightly decreased to RMB2,264.8 million as at 31 December 2025 (as at 31 December 2024: RMB2,277.6 million).

### Current assets, capital structure and gearing ratio

The Group maintained a healthy liquidity position with net current assets and cash and cash equivalents of RMB309.3 million (as at 31 December 2024: RMB192.5 million) and RMB438.2 million (as at 31 December 2024: RMB342.7 million), respectively, as at 31 December 2025. As at 31 December 2025, the Group's restricted cash was RMB176.3 million (as at 31 December 2024: RMB144.7 million). The Group's gearing ratio (calculated by dividing total liabilities by total assets) as at 31 December 2025 was 79.6% (as at 31 December 2024: 79.2%). The Group's bank borrowings as at 31 December 2025 were RMB387.4 million (as at 31 December 2024: RMB280.5 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 denominated 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. As at 31 December 2025, the Group had no major capital commitments.

### Contingent liabilities

As at 31 December 2025, 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 other costs and interest are not expected to be significant. Therefore these legal proceedings individually or in aggregate would not have material financial or operational adverse impact on the Group's consolidated financial statements.

## Management Discussion and Analysis

### **Charges on assets**

As at 31 December 2025, the Group's secured long-term bank borrowings of RMB4.5 million (2024: RMB9.5 million) 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 RMB40.83 million (2024: approximately RMB42.18 million).

As at 31 December 2025, bills receivables with a total net book amount of RMB10.1 million (as at 31 December 2024: RMB20.2 million) was pledged as collateral for the Group's bank borrowings amounting to RMB10.1 million (as at 31 December 2024: RMB20.2 million).

### **Material acquisition and disposal of subsidiaries, associates and joint ventures**

For the year ended 31 December 2025, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures.

### **Significant investment held**

As at 31 December 2025, the Group had no significant investment or future plan for significant investment or capital asset.

### **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 five executive Directors 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 58, 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), a Controlling Shareholder of the Company. 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 47, 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 Yun obtained her bachelor's degree in administration with a major in accounting from China Agricultural University (中國農業大學) in the PRC in July 2002.

## Biographical Details of Directors and Senior Management

**Mr. Wang Lijiang (王利江)**, aged 38, was appointed as an executive Director on 9 April 2018. Mr. Wang Lijiang is also a joint company secretary of the Company. Mr. Wang Lijiang is the nephew of Mr. Wang Shizhong (王士忠) and the son of Mr. Wang Shiqin (王士勤), both being the Controlling Shareholders of the Company. He is the cousin of Mr. Wang Likai (王利凱) and Ms. Wang Lifang (王麗芳), both being our executive Directors. Mr. Wang Lijiang joined the Group in March 2014 and is primarily responsible for accounting and financial management. From November 2010 to March 2014, he 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 served as the secretary to the board of directors of Watts Gallop.

Mr. Wang Lijiang obtained his bachelor's degree in of arts with a major in English (international trade) from 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 33, was appointed as an executive Director on 18 June 2020. Mr. Wang Likai is the son of Mr. Wang Shizhong (王士忠), a Controlling Shareholder of the Company. He is the cousin of Mr. Wang Lijiang (王利江), our executive Director and joint company secretary, and of Ms. Wang Lifang (王麗芳), our executive Director, 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. He 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, a director of Jiangsu Watts Energy & Engineering Co., Ltd\* (江蘇華滋能源工程有限公司) since February 2018 and a director of Shanghai Watts Benteng Hotel Management Co., Ltd\* (上海華滋奔騰酒店管理有限公司) since March 2023.

Mr. Wang Likai obtained his bachelor's degree in arts from University of California, Irvine in the United States in March 2016.

## Biographical Details of Directors and Senior Management

**Ms. Wang Lifang (王麗芳)**, aged 42, was appointed as an executive Director of the Company and a member of the Nomination Committee on 1 December 2025. Ms. Wang Lifang is the niece of Mr. Wang Shizhong (王士忠), a Controlling Shareholder of the Company, and the cousin of Mr. Wang Lijian (王利江) and Mr. Wang Likai (王利凱), both being our executive Directors. Ms. Wang Lifang commenced her career in August 2007. In May 2008, she joined Zhejiang Watts Gallop Real Estate Development Co., Ltd. (浙江華滋奔騰房地產開發有限公司), a subsidiary of Watts Gallop, where she was responsible for project management. In August 2015, she transferred to Watts Gallop. In October 2016, she joined Watts Gallop Construction and subsequently assumed the roles of financial administrator, general manager and legal representative thereof. She currently serves as a director of several subsidiaries of the Group.

Ms. Wang Lifang obtained a bachelor's degree in engineering management from Tongji University (同濟大學) in the PRC in July 2011 and a bachelor's degree in accounting from Open University of China (國家開放大學) in the PRC in July 2022.

### Independent non-executive Directors

**Mr. Sun Dajian (孫大建)**, aged 71, was appointed as our independent non-executive Director on 19 October 2018. He is 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 Dajian 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 Dajian 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 Dajian 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 Dajian 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 Dajian 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 Dajian obtained his bachelor's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 1983.

## Biographical Details of Directors and Senior Management

**Mr. How Sze Ming (侯思明)**, aged 49, was appointed as an independent non-executive Director on 19 October 2018. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. How Sze Ming has over 22 years of experience in investment banking and business assurance industries. He 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 Hong Kong Stock Exchange.

Mr. How Sze Ming is currently an independent non-executive director of Hongxing Coldchain (Hunan) Co., Ltd\* (紅星冷鏈(湖南)股份有限公司, stock code:1641), a company listed on the Stock Exchange and an independent director of Insight Lifetech Co., Ltd\* (北芯生命科技股份有限公司, stock code: 688712), a company listed on the Shanghai Stock Exchange. In the past three years, Mr. How Sze Ming was 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), Qian Xun Technology Limited (千循科技有限公司, stock code: 1640) and Huashi Group Holdings Limited (華視集團控股有限公司, stock code: 1111), all of which are listed on the Stock Exchange.

Mr. How Sze Ming graduated from The Chinese University of Hong Kong (香港中文大學) in Hong Kong with a bachelor's degree in 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 58, was appointed as an independent non-executive Director on 19 October 2018. He is the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. 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, he was the dean of Shanghai Finance University (上海金融學院), and from June 2016 to August 2018, he 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, he 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), all of which are listed on the Shanghai Stock Exchange.

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

## Biographical Details of Directors and Senior Management

### Senior management

**Mr. Ye Sheng (葉盛)**, aged 45, was appointed as our chief financial officer on 27 March 2019. He joined the Group in June 2018 and has over 15 years' experience in auditing and finance industries.

Mr. Ye Sheng is a director of a number of subsidiaries of the Group. Prior to joining the Group, he served as a senior manager of audit and assurance 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, respectively.

Mr. Ye Sheng 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, a senior accountant, Fellow of the Chartered Institute of Management Accountant (FCMA) and Chartered Global Management Accountant (CGMA).

### 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 13 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 (香港中文大學) in Hong Kong in 2010, a master's degree in corporate governance from Hong Kong Metropolitan University (香港都會大學) in Hong Kong in 2018 and a master's degree in accountancy from Hong Kong Baptist University (香港浸會大學) in Hong Kong 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 2025.

### 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 and future business development discussion are 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 2025 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 as and when appropriate. In considering whether to declare dividends or not, the Board shall 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

The Board recommended the payment of a final dividend of HK\$1.11 cents (equivalent to approximately RMB1.00 cent) (2024: nil) per Share for the year ended 31 December 2025 to the Shareholders whose names appeared on the register of members of the Company on Monday, 6 July 2026. Subject to the approval of the Shareholders at the 2026 AGM, such dividend is expected to be paid on Tuesday, 18 August 2026.

## Closure of Register of members

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the 2026 AGM, the register of members of the Company will be closed from Monday, 22 June 2026 to Thursday, 25 June 2026, 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 Thursday, 18 June 2026. The Shareholders whose names appear on the register of members of the Company on Thursday, 25 June 2026 are entitled to attend and vote at the 2026 AGM.

For the purpose of determining the entitlement of the Shareholders to the proposed final dividend, the register of members of the Company will be closed from Thursday, 2 July 2026 to Monday, 6 July 2026, both days inclusive, during which period no transfer of Shares shall be registered. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong 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 for registration not later than 4:30 p.m. on, Tuesday, 30 June 2026.

## Major customers, suppliers and subcontractors

For the year ended 31 December 2025, our revenue generated from our top five customers amounted to approximately RMB603.8 million, representing approximately 32.1% of our total revenue, while our revenue generated from our largest customer amounted to approximately RMB180.4 million, representing approximately 9.6% of our total revenue.

For the year ended 31 December 2025, purchase from our largest supplier amounted to approximately RMB322.4 million, representing approximately 19.0% of our total cost of sales, while purchases from our top five suppliers amounted to approximately RMB563.5 million, representing approximately 33.2% of our total cost of sales.

For the year ended 31 December 2025, 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 2025, we completed 341 contracts with original contract value of RMB2,291.7 million and we entered into 341 new contracts with original contract value of RMB2,319.6 million. As of 31 December 2025, we had 104 contracts on hand with original contract value of RMB6,346.4 million and aggregate value of RMB2,590.6 million in our backlog.

## Report of the Directors

### Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2025 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 2025 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 192 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 2025 and the financial position of the Group as of 31 December 2025 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 2025 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 2025 are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report. As of 31 December 2025, the Company's share premium reserve which was 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) <sup>(2)</sup>	58	Chairman of the Board and executive Director	9 April 2018
Ms. Wan Yun (萬雲)	47	Executive Director and chief executive officer	9 April 2018
Mr. Wang Lijiang (王利江) <sup>(1)</sup>	38	Executive Director	9 April 2018
Mr. Wang Likai (王利凱) <sup>(1, 2)</sup>	33	Executive Director	18 June 2020
Ms. Wang Lifang (王麗芳) <sup>(1)</sup>	42	Executive Director	1 December 2025
Mr. Wang Hongwei (王洪衛)	58	Independent non-executive Director	19 October 2018
Mr. How Sze Ming (侯思明)	49	Independent non-executive Director	19 October 2018
Mr. Sun Dajian (孫大建)	71	Independent non-executive Director	19 October 2018

Notes:

1. Mr. Wang Likai (王利凱), Mr. Wang Lijiang (王利江) and Ms. Wang Lifang (王麗芳) are cousins.
2. Pursuant to the Acting-in-concert Confirmation between 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, the parties 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 was later known as Watts Gallop); (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.

Ms. Wang Lifang had obtained the legal advice as referred to in Rule 3.09D of the Listing Rules on 28 November 2025, and has confirmed she understood her obligations as a Director of the Company.

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, Mr. Wang Xiuchun (王秀春), Mr. Wang Likai (王利凱) and Mr. How Sze Ming (侯思明) will retire by rotation at the 2026 AGM and be eligible to offer themselves for re-election as Directors.

## Report of the Directors

In accordance with Article 113 of the articles of association of the Company, the Board shall have power from time to time at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director, provided that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Ms. Wang Lifang (王麗芳), who was appointed as an executive Director on 1 December 2025, will retire from office at the 2026 AGM and be eligible to offer herself for re-election as Director.

### 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 (王利凱) and Ms. Wang Lifang (王麗芳), 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 (王利凱) 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.

Ms. Wang Lifang (王麗芳) has entered in to a service contract with the Company as an executive Director for a fixed term of three years commencing from 1 December 2025 and thereafter continue on a month to month basis, subject to retirement by rotation in accordance with the articles of association of the Company.

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 2026 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 2025, 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 2025, the Group had a total of 485 employees. All employees have been paid remuneration in accordance with relevant laws and regulations in China, Indonesia, Malaysia, Brunei and Cambodia. 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 RMB69.1 million for the year ended 31 December 2025 (2024: approximately RMB66.6 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 2025 (including all executive Directors) by band is as follows:

Band	Number of senior management for the year ended 31 December 2025
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, the changes in information of Directors subsequent to the date of the interim report of the Company for the first half of 2025 are set out below:

- Ms. Wang Lifang (王麗芳) was appointed as an executive Director on 1 December 2025. Upon the recommendation of the Remuneration Committee and the approval of the Board, Ms. Wang Lifang (王麗芳) is entitled to an annual salary of RMB350,000 and discretionary bonuses that may be determined by the board of directors;
- Mr. Wang Shizhong (王士忠) resigned as a non-executive Director as he has reached age of retirement with effect from 1 December 2025;
- Mr. How Sze Ming (侯思明), an independent non-executive Director, has been appointed as an independent non-executive director of Hongxing Coldchain (Hunan) Co., Ltd (紅星冷鏈(湖南)股份有限公司, Hong Kong Stock Exchange stock code:1641), with effect from 12 January 2026 and an independent director of Insight Lifetech Co., Ltd\* (北芯生命科技股份有限公司, Shanghai Stock Exchange stock code: 688712), with effect from 15 June 2024;<sup>1</sup> and

## Report of the Directors

4. Upon the recommendation of the Remuneration Committee and the approval of the Board, Mr. Wang Xiuchun (王秀春) is entitled to an annual salary of RMB500,000 and Mr. Wang Lijiang (王利江) is entitled to an annual salary of HKD200,000 with effect from 1 January 2025.

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.

*Notes:*

- 1 Insight Lifetech Co., Ltd\* (北芯生命科技股份有限公司, stock code: 688712) was successfully listed on the board of STAR Market of Shanghai Stock Exchange on 5 February, 2026.

### 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 2025, 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 <sup>(2)</sup>
Mr. Wang Xiuchun (王秀春) <sup>(3)</sup>	Interest held jointly with another person	419,792,836	50.86%
Mr. Wang Likai (王利凯) <sup>(3)</sup>	Interest held jointly with another person	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%
Ms. Wang Lifang (王麗芳)	Beneficial owner	2,512,292	0.30%

*Notes:*

- All interests stated are long positions.
- The calculation is based on the total number of 825,400,000 Shares in issue as of 31 December 2025.
- HuaZi Holding Limited is beneficially and wholly owned by Mr. Wang Shizhong (王士忠). By virtue of the SFO, Mr. Wang Shizhong (王士忠) is deemed to be interested in the 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 (王利凯), 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 (王利凯) are deemed to be interested in each other's interest in the Shares.

Save as disclosed above, as of 31 December 2025, 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.

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

As of 31 December 2025, 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 <sup>(2)</sup>
HuaZi Holding Limited <sup>(3)(6)</sup>	Beneficial owner	315,467,967	38.22%
Mr. Wang Shizhong (王士忠) <sup>(3)(4)(5)(6)</sup>	Interest in a controlled corporation	315,467,967	
	Interest held jointly with another person	104,324,869	
		419,792,836	50.86%
Ye Wang Zhou Holding Limited <sup>(4)(5)</sup>	Beneficial owner	104,324,869	12.64%
Mr. Ye Kangshun (葉康舜) <sup>(3)(4)(5)(6)</sup>	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) <sup>(3)(4)(5)(6)</sup>	Interest held jointly with another person	419,792,836	50.86%
Mr. Wang Shiqin (王士勤) <sup>(3)(4)(5)(6)</sup>	Interest held jointly with another person	419,792,836	50.86%
HZ&BT Development Holding Limited	Beneficial owner	143,542,720	17.39%

### Notes:

- All interests stated are long positions.
- The calculation is based on the total number of 825,400,000 Shares in issue as of 31 December 2025.
- HuaZi Holding Limited is beneficially and wholly owned by Mr. Wang Shizhong (王士忠). By virtue of the SFO, Mr. Wang Shizhong (王士忠) is deemed to be interested in the Shares held by HuaZi Holding Limited.
- 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 Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong). As such, each of them is deemed to be interested in each other's interest in the Shares.
- 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.

## Report of the Directors

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 2025, 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 Reporting Period 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 2025, 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 two 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 of the Company) 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 the 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/her/its close associates (or his/her/its 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/her/its 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.

The number of options available for grant under the Share Option Scheme is 82,540,000 as at 31 December 2024 and 31 December 2025, respectively.

## 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. Participants of the Share Award Scheme

Any individual, being an employee, a director or an officer of any member or any affiliate of the Group, or a person that provides advisory, consultancy, professional or other services to any member or any affiliate of the Group, who the Board or its delegate(s) considers, in their sole discretion, has contributed or will contribute to the Group, is an eligible person under the Share Award Scheme. However, no individual who is resident in a place where the grant, acceptance, vesting and/or settlement of an award pursuant to the Share Award Scheme at the time of the proposed grant, acceptance, vesting and/or settlement is not permitted under the laws and regulations of such place or who, the Board or its delegate(s) deem(s) it necessary and appropriate to exclude for compliance with applicable laws and regulations of such place, shall be entitled to participate in the Share Award Scheme, and such individual shall therefore be excluded from being an eligible person.

An “employee” means any employee (whether full-time or part-time employee) of any members or any affiliate of the Group, provided that the grantee shall not cease to be an employee in the case of (a) any leave of absence approved by the Company or the relevant affiliate; or (b) transfer amongst the Company and any affiliates or any successor, and provided further that an employee shall, for the avoidance of doubt, cease to be an employee with effect from the date of termination of his/her employment (such date inclusive).

### 3. 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.

#### 4. 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 laws or regulations or where any requisite approval from any governmental or regulatory authority has not been granted.

#### 5. 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.

#### 6. 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.

## Report of the Directors

### 7. 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.

### 8. 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.

### 9. 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.

### 10. Alteration of the scheme

Subject to the Scheme Limit and in compliance with the rules of the Share Award Scheme Rules, 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.

### 11. 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 days 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 four years.

Since the adoption date of the Share Award Scheme to 31 December 2025, no share award was granted, exercised, expired or lapsed and there is no outstanding share award under the Share Award Scheme.

The number of awards available for grant under the Share Award Scheme is 82,540,000 as at 31 December 2024 and 31 December 2025, respectively.

The number of Shares that may be issued in respect of options and awards granted during the year ended 31 December 2025 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 2025, 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 Agreement 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 Master Procurement Agreement.

The transactions contemplated under the 2024–2026 Master Procurement Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The 2024–2026 Master Procurement Agreement is intended to streamline the continuing connected transactions between the Group and Watts Gallop Group. The purposes of entering into the 2024–2026 Master Procurement Agreement are to renew the term of the 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

## Report of the Directors

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 2025, 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 2025, the amount in respect of the transactions under the 2024–2026 Master Procurement Agreement was approximately RMB3.9 million.

### **Implications under the Listing Rules**

Mr. Wang Shizhong (王士忠), a Controlling Shareholder of the Company, owns 56% equity interest in Watts Gallop. Mr. Wang Shizhong (王士忠) and the parties acting in concert with him (including 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)) 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 2025, 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 in 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 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:

	<b>Year ended 31 December 2025 RMB in million</b>
Revenue	<b>267.2</b>
Profit for the year	<b>22.5</b>
	<b>As of 31 December 2025 RMB in million</b>
Total assets	<b>271.8</b>

For the year ended 31 December 2025, the revenue and profit for the year subject to the Contractual Arrangements amounted to approximately 14.2% and 68.0% of the revenue and profit for the year of the Group. As of 31 December 2025, the total assets subject to the Contractual Arrangements amounted to approximately 7.7% of the total assets of the Group.

During the year ended 31 December 2025, no dividends or other distributions had 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 2026–2028 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 would 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**”).

As the 2023–2025 Master Construction Services Agreement expired on 31 December 2025, on 4 December 2025, the Company as service provider and Watts Gallop as service recipient entered into the 2026–2028 Master Construction Service Agreement (the “**2026–2028 Master Construction Services Agreement**”), pursuant to which the Group will provide Engineering Construction Services to Watts Gallop Group from 1 January 2026 to 31 December 2028, subject to the terms and conditions provided under the 2026–2028 Master Construction Services Agreement, which was approved by the independent Shareholders at the extraordinary general meeting held on 23 December 2025. The 2023–2025 Master Construction Services Agreement and the 2026–2028 Master Construction Services Agreement are called the Master Construction Services Agreement together (hereinafter referred to as the “**Master Construction Services Agreement**”).

The transactions contemplated under the 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 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 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 creates synergies such as more effective communication and higher work efficiency, it also reduces administrative procedure and cost of the Group during the bidding process with less credit risk when collecting receivables.

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

## Report of the Directors

When determining the fees to be charged by the Group for the Engineering Construction Services to be provided by the Group under the Master Construction Services Agreement, the Company has considered and will mainly consider the expected gross profit margin of the project based on scope of work, nature, size, duration, potential risks, cost of raw materials and work complexity.

### **Annual caps**

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

The annual caps for the transactions contemplated under the 2026–2028 Master Construction Services Agreement are approximately RMB330.0 million, RMB156.0 million and RMB150.0 million for the three years ended/ending 31 December 2026, 2027 and 2028, respectively.

For the year ended 31 December 2025, the amount in respect of the transactions under the 2023–2025 Master Construction Service Agreement was approximately RMB112.0 million.

### **Implication under the Listing Rules**

Mr. Wang Shizhong (王士忠), a Controlling Shareholder of the Company, owned 56% equity interest in Watts Gallop. Mr. Wang Shizhong (王士忠) and the parties acting in concert with him (including 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)) together owned an aggregate of 70.52% equity interest in Watts Gallop. As such, Watts Gallop is a connected person of the Company. The Master Construction Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the highest annual cap under the Master Construction Services Agreement exceeds 5%, the 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, Contractual Arrangements and 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 31 to 39 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 2025 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)(v) 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.

## Report of the Directors

### Non-competition undertakings

On 22 October 2018, each of the Controlling Shareholders (as defined in the Prospectus) entered into a deed of non-competition (the “**Deed of Non-Competition**”) in favour of the Company (for itself and as trustee 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 or 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 2025, none of the Directors had any interest in any business which compete or is likely to compete, either directly or indirectly, with the business 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 2025 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 these jurisdictions. For the year ended 31 December 2025 and up to the date of this annual report, the Group had complied with all relevant laws and regulations of these 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.
- Geopolitical risks may materially and adversely affect our business in countries where we operate, especially the Southeast Asian countries.

## Report of the Directors

### 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 Environmental, Social and Governance Reporting Code set out in Appendix C2 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 paragraphs headed “Share Option Scheme” and “Share award scheme” under “Report of the Directors” section of this annual report, no equity-linked agreements were entered into by the Company during the year ended 31 December 2025 or have subsisted as at 31 December 2025.

### 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.

## 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 2025.

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 2026 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 2026 AGM. PricewaterhouseCoopers has audited the consolidated financial statements of the Company for the year ended 31 December 2025.

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

Shanghai, 26 March 2026

# Corporate Governance Report

## Compliance with Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted all the code provisions in the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Listing Rules as its own code of corporate governance. The Company had complied with all applicable code provisions under the CG Code during the Reporting Period.

## 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 five executive Directors: Mr. Wang Xiuchun (王秀春), Ms. Wan Yun (萬雲), Mr. Wang Lijiang (王利江), Mr. Wang Likai (王利凱) and Ms. Wang Lifang (王麗芳) 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 aforesaid 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 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 independent 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 Company's operations and businesses. The Company 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 26 August 2025. The individual training record of each Director received for the year ended 31 December 2025 is summarised in the paragraph 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 shall include the agenda for the 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 or committee members (as applicable) for comment within a reasonable period of time after the holding of the meeting.

For the year ended 31 December 2025, four board meetings were held and two general meetings were 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), all of them are independent non-executive Directors.

The Audit Committee is mainly responsible for assisting the Board by 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 2025, 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 2024;
- continuing connected transactions of the Group for the year ended 31 December 2024;
- proposed re-appointment of the auditor in 2025;
- risk management and internal control systems and their effectiveness;
- the unaudited financial statements of the Group for the six months ended 30 June 2025; 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.

## Corporate Governance Report

For the year ended 31 December 2025, two meetings were held by the Remuneration Committee and, among other things, the members discussed:

- performance of the 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 four members, including three independent non-executive Directors, namely Mr. Wang Hongwei (王洪衛) (Chairman), Mr. Sun Dajian (孫大建), Mr. How Sze Ming (侯思明), and an executive Director namely Ms. Wang Lifang (王麗芳).

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 2025, two meetings were held by the Nomination Committee and, among other things, the members discussed:

- the structure, size and composition of the Board (including skills, knowledge, experience and diversity of perspectives);
- 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 individuals suitably qualified to become board members, having due regard to board diversity policy, and assesses the independence of the proposed independent non-executive Directors as appropriate.

- a. The Nomination Committee makes recommendations to the Board.
- b. The Board considers the individuals recommended by the Nomination Committee, having due regard to the board diversity policy.
- c. The Board confirms the appointment of the individuals as Directors or recommends the individuals 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 recommendations 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 the nomination policy when necessary to ensure its effectiveness.

## Corporate Governance Report

### 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 on the Board. Pursuant to the board diversity policy, appointment of board members 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 2025, 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 opinions.

The Board currently has two female Directors 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 2025, approximately 80% of the Company's workforce (including senior management) was male and approximately 20% was female. We will continue to monitor the aforesaid gender ratio and 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 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, training and continuing professional development of the Directors and senior management, the Company's policies and practices in compliance with legal and regulatory requirements, compliance with the Model Code, 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 2025 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
<b>Executive Directors</b>						
Mr. Wang Xiuchun (王秀春)	4/4	2/2	NA	NA	NA	√
Ms. Wan Yun (萬雲)	4/4	2/2	NA	NA	NA	√
Mr. Wang Lijiang (王利江)	4/4	2/2	NA	NA	NA	√
Mr. Wang Likai (王利凱)	4/4	2/2	NA	NA	NA	√
Ms. Wang Lifang (王麗芳) <sup>(1)</sup>	NA	1/1	NA	NA	NA	√
<b>Non-executive Director</b>						
Mr. Wang Shizhong (王士忠) <sup>(2)</sup>	4/4	1/1	NA	NA	NA	√
<b>Independent Non-executive Directors</b>						
Mr. Sun Dajian (孫大建)	4/4	2/2	3/3	2/2	2/2	√
Mr. How Sze Ming (侯思明)	4/4	2/2	3/3	2/2	2/2	√
Mr. Wang Hongwei (王洪衛)	4/4	2/2	3/3	2/2	2/2	√

Notes:

- Ms. Wang Lifang (王麗芳) was appointed as an executive Director on 1 December 2025.
- Mr. Wang Shizhong (王士忠) resigned as a non-executive Director with effect from 1 December 2025.

### 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 2025 which has been mentioned in the independent auditor's report on page 102.

## Corporate Governance Report

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 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 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 report to the Audit Committee directly. Internal audit staff will attend meetings of the Audit Committee annually to report on 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 systems of the Company and its subsidiaries during the year ended 31 December 2025. 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 2025, 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 2025 financial statements	1,600
Non-auditing services <sup>(1)</sup>	—

<sup>1</sup> 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), also our executive Director, is the primary contact of Ms. Zhang Xiao (張瀟) in the Company.

## Corporate Governance Report

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 2025.

### 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 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 paragraph 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 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 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 shareholders' 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 the board committees will attend the annual general meetings to answer questions by Shareholders.

To promote effective communication, the Company maintains a website [www.shbt-china.com](http://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 behalf 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 2025, 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 corporate transparency and communication with Shareholders and investors through timely announcements and/or other publications. The Company's website provides an effective communication platform for the Shareholders and investors 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](mailto:wime@shbt-china.com)).

# Environmental, Social and Governance Report

## Statement on Report Preparation

### Summary

This is the 2025 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 Company and its subsidiaries 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 this annual report.

### Reporting Scope

Time coverage: The Report is an ESG report with the reporting period from 1 January 2025 to 31 December 2025 (the “**Reporting Period**”), consistent with the reporting period of financial information of the Group.

Organization coverage: Unless otherwise stated, this Report covers the Company and its subsidiaries.

### Basis of Preparation

The Environmental, Social and Governance Reporting Code (the version coming into effect on 1 January 2025) 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**”).

### 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 61 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.
- **Balance:** The Report reflects objective facts and discloses both positive and negative indicators.

## Statement of the Board of Directors

As the highest decision-making body for ESG affairs, the Board assumes overall responsibility for shaping ESG strategy and targets, systematically assesses associated risks and oversees the end-to-end execution of the plans. Regarding key issues, the Board closely tracks the fulfillment of commitments and actual performance in areas such as compliance management and climate change, reviews the annual ESG reports and coordinates specialized committees and management departments to embed ESG principles across all operational facets, ensuring the ESG management system delivers tangible results.

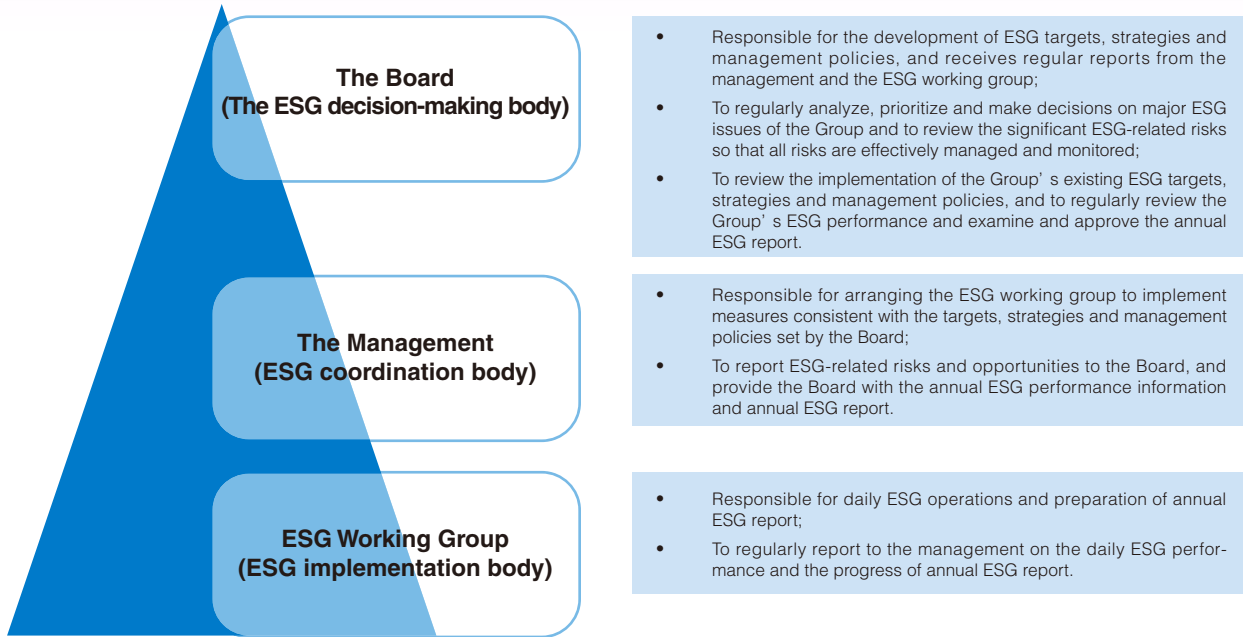
Under the Board's comprehensive decision-making, the Company focuses on three major strategic directions: green and low-carbon energy transition, resource conservation and utilization, and green and low-carbon infrastructure development. By aligning with macroeconomic policies, industry trends, and our internal strategic planning, we actively spearhead green and low-carbon technological innovations. Simultaneously, we regularly conduct systematic analyses and assessments in areas including environmental protection, climate change mitigation, work safety, occupational health, resource utilization, and anti-corruption compliance to continuously refine ESG management practices and fortify risk response capabilities.

In considering material issues, the Board has thoroughly analyzed the potential impact of various issues on the Company's sustainable development in strict accordance with the materiality principle of the Stock Exchange, taking into full account the needs and concerns of stakeholders. Through a systematic assessment mechanism, the Board has identified a matrix of material issues for the Group in 2025 to guide the Company's long-term strategic development.

## ESG Management System

Attaching great importance to ESG management, the Company has established a three-level ESG management structure to clarify the responsibilities at each level in ESG management. The Board, as the highest governance body, 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 is primarily responsible for leading the ESG working group to ensure that the Board's ESG strategic objectives are implemented in an orderly manner and reporting the progress to the Board on a regular basis. The ESG working group consists of the ESG taskforce leader and department heads. At the implementation level, it is responsible for driving and coordinating the implementation of ESG objectives and ensuring that the Group's ESG practices are in line with the strategic direction.

### ESG Management Structure



### Stakeholders Engagement

Deepening engagement with stakeholders helps the Company effectively identify potential risks, reduce operational uncertainties, and enhance its accountability and trustworthiness among the public and with 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 consistently values and actively responds to the reasonable 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 governance transparency of the Company and strengthens stakeholder trust, but also enhances further improves the sustainable development capability, providing a solid foundation for our long-term healthy development.

### Stakeholders Engagement Mechanism of the Company

Stakeholder	Issues of concern	Communication and feedback
<b>Government and regulators</b>	<ul style="list-style-type: none"> <li>• Compliant operation</li> <li>• Corporate governance</li> <li>• Promoting employment and economic development</li> <li>• Paying tax according to law</li> </ul>	<ul style="list-style-type: none"> <li>• Law-based and compliant operation</li> <li>• Work report and communication</li> </ul>
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>• Return on investment and growth</li> <li>• Economic performance and market performance</li> <li>• Transparent and complete information disclosure</li> <li>• Compliant operation</li> </ul>	<ul style="list-style-type: none"> <li>• Improving corporate governance</li> <li>• Holding general meetings</li> <li>• Disclosure of periodic reports and announcements</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Legitimate rights and interests of employees</li> <li>• Career development and promotion</li> <li>• Compensation and benefits</li> <li>• Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Protecting legitimate rights and interests of employees</li> <li>• Fair promotion system</li> <li>• Comprehensive compensation system</li> <li>• Ensuring the occupational health and safety of employees</li> <li>• Sound employee communication mechanism</li> </ul>

## Environmental, Social and Governance Report

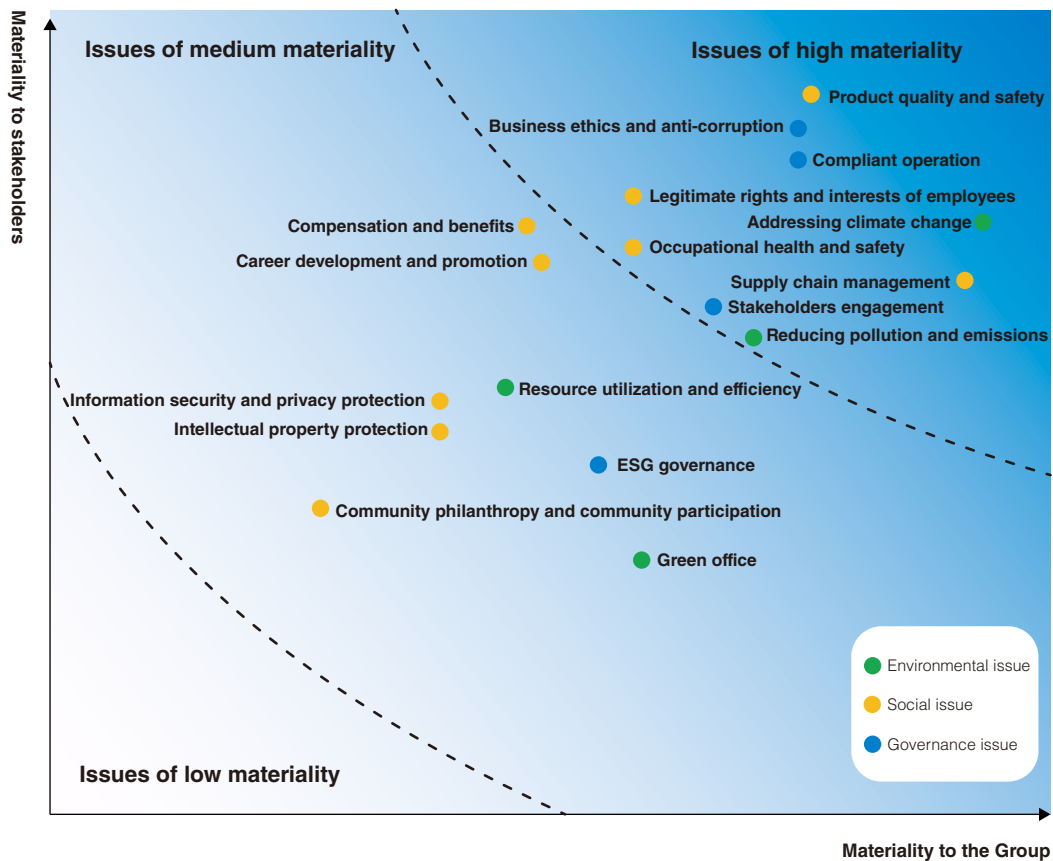
Stakeholder	Issues of concern	Communication and feedback
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Product quality and safety</li> <li>• Customer service</li> <li>• Business ethics and anti-corruption</li> <li>• Win-win cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Product safety and quality control</li> <li>• Improving service quality</li> <li>• Regular communication with clients</li> <li>• Integrity training and management</li> </ul>
<b>Suppliers and business partners</b>	<ul style="list-style-type: none"> <li>• Fair and equitable procurement</li> <li>• Sustainable supply chain</li> <li>• Compliant operation</li> <li>• Business ethics and anti-corruption</li> <li>• Win-win cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier management</li> <li>• Green purchasing</li> <li>• Fulfillment of contracts according to law</li> <li>• Regular communication with suppliers</li> <li>• Integrity training and management</li> <li>• Multi-channel cooperation</li> </ul>
<b>Community organizations and the media</b>	<ul style="list-style-type: none"> <li>• Transparent and complete information disclosure</li> <li>• Public benefits and charities</li> <li>• Facilitating the harmonious development of the community</li> </ul>	<ul style="list-style-type: none"> <li>• Launching community support and charity activities</li> <li>• Disclosure of periodic reports and announcements</li> </ul>

## 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 against the international advanced ESG conceptual framework and standards, including the United Nations Sustainable Development Goals (SDGs), the ESG Code of the Stock Exchange, the Sustainability Accounting Standards Board (SASB), 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 2025:

**Matrix of Material Issues of the Company for 2025**



## Environmental

The Group has always embedded the concept of green development into the core of its corporate strategy and fulfilled its commitment to sustainable development with concrete actions. In its day-to-day operation, the Group actively optimizes the resource allocation, improves energy utilization efficiency and continually reduces carbon emissions to achieve a harmonious coexistence between its operations and the ecological environment, and is steadfastly moving towards the goals of green operations. In response to the challenges of global climate change, the Group has enhanced its climate risk management system in light of its business operations, thereby contributing to the development of a low-carbon economy.

In terms of environmental management, 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 relevant laws and regulations. It has established a scientific and standardized environmental management system and obtained the GB/T24001–2016/ISO14001:2015 environmental management system certification. In accordance with the Manual for Quality, Environment, Occupational Health and Safety Management and the Measures for Environmental Protection and Pollution Prevention and other institutional documents, the Group scientifically sets environmental targets and management plans, strictly regulates waste disposal and emission during the construction process, and continuously improves environmental management efficiency. Prior to project commencement, the Group conducts a comprehensive identification and assessment of the environmental conditions of the construction site and major pollutants in accordance with the Control Procedures for Identification and Assessment of Environmental Factors. Only after a comprehensive assessment may the project start construction. The Group’s safety management department regularly carries out environmental inspections, promptly addresses environmental hazards, and supervises the implementation of corrective actions to ensure environmental safety.

The Group is also dedicated to fostering environmental awareness among employees and business partners. Through diverse environmental training initiatives, we promote sustainability concepts to instill a stronger sense of responsibility for energy conservation. Furthermore, by entering into environmental protection agreements with partners, we clearly define environmental responsibilities during the construction process to jointly advance our environmental initiatives. The Group believes that by strengthening internal management and external collaboration, while continuously advocating for green principles, we will contribute more significantly to sustainable development and the creation of a superior ecological environment.

### Environmental Targets and Commitments

- Decrease of GHG emission intensity annually in 2026–2027, **taking 2025 as the base year;**
- Decrease of combined waste emissions (including particulate matter, nitrogen oxides, sulphur dioxide, non-hazardous waste) annually in 2026–2027;
- Disposal of solid waste in compliance with relevant regulations;
- Decrease of energy consumption density annually in 2026–2027; and
- Decrease of water consumption annually in 2026–2027.

## Environmental Performance

### Environmental Performance of the Company in the Last Three Years

Indicator	Unit	2023	2024	2025
<b>Total greenhouse gas emissions</b>	tCO <sub>2</sub> e	471.45	334.63	345.19
— Direct greenhouse gas emissions	tCO <sub>2</sub> e	107.39	85.03	74.96
— Indirect greenhouse gas emissions	tCO <sub>2</sub> e	164.82	199.27	191.80
— Scope 3 greenhouse gas emissions	tCO <sub>2</sub> e	199.24	50.33	78.43
Greenhouse gas emission density	tCO <sub>2</sub> e/person	3.39	2.41	2.68
<b>Emissions</b>				
NO <sub>x</sub> emission	kg	423.85	499.72	400.1
SO <sub>2</sub> emission	kg	0.71	0.84	0.67
PM emission	kg	40.61	47.88	38.33
Total non-hazardous waste	kg	13.6	17.4	11.10
Non-hazardous waste density	tonne/person	0.11	0.13	0.09
<b>Energy consumption</b>				
Total energy consumption	MWh	729.13	734.88	682.41
— Total direct energy consumption	MWh	439.24	465.39	410.17
— Total indirect energy consumption	MWh	289.89	269.49	272.24
Energy consumption density	MWh/person	5.93	2.41	5.29
Total water consumption	m <sup>3</sup>	1,406.00	545.00	648.00
Water consumption density	m <sup>3</sup> /person	11.43	3.92	5.02

#### Notes:

- 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).
- 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<sub>x</sub>, PM and SO<sub>2</sub> 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").
- Most of the wastewater and non-hazardous wastes on the construction sites are disposed of by the project owners; 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.
- 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.

## Environmental, Social and Governance Report

5. Most of the gasoline and electricity used in the construction sites of the Group is provided by the project owners, 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 project owners so that the Group is unable to collect all water usage data. The 2023 ESG report only disclosed the water consumption of the Group's Shanghai and Hangzhou offices. In 2024, only the water consumption of the Hangzhou office was disclosed due to the relocation of the Shanghai office, where the water used in the relocated office was supplied by the landlord. All the water used by the Group's Shanghai and Hangzhou offices is sourced from municipal supplies, which does not involve water sourcing issues.
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 fully recognizes the profound impact of global climate change on the ecological environment and our core business sectors, including port, waterway, marine, and municipal engineering. Accordingly, we have elevated climate change response to a strategic core priority. With a high sense of responsibility and foresight, the Company systematically identifies and assesses climate-related risks and develops scientific and effective response strategies.

The Company has adopted precise measures for different types of risks. Regarding physical risks, considering that extreme weather such as typhoons, rainstorms, and floods may disrupt project schedules and material transport, the Company has optimized project planning and construction schemes to bolster stability under adverse conditions; leveraged information technology to enhance real-time monitoring and resource scheduling to strengthen the resilience of logistics supply chain; established comprehensive emergency protocols for extreme weather and conducted regular drills to ensure an orderly response to contingencies. To manage transition risks, particularly the compliance cost pressures arising from carbon reduction policies and energy structural adjustments, the Company has continuously advanced energy-saving technological upgrades, promoted the application of high-efficiency energy-saving equipment and processes, increased the proportion of clean energy, and gradually reduced reliance on fossil fuels to mitigate carbon emissions. In terms of market and reputational risks, the Company focused on elevating engineering quality and refining quality management systems to ensure projects meet stringent environmental standards; optimized supplier management by selecting partners with strong environmental awareness and sustainability capabilities, jointly building a green supply chain to enhance brand image and market competitiveness.

Looking ahead, the Company will continue to refine its climate risk management mechanisms, and deepen cooperation with governments, industry organizations, and research institutions, and by leveraging our professional expertise to contribute more significantly to global climate action and sustainable development.

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

Risk category	Major climate-related issues	Potential impact	Response action
Physical risk	Natural disasters and extreme weather events, such as typhoons, rainstorms, and floods, which may cause asset damage and production interruptions	Trigger operational disruptions and delay project deliveries; cause facility damage, leading to increased maintenance costs and downtime losses	<ul style="list-style-type: none"> <li>— Monitor climate change trends and meteorological conditions, and establish emergency plans and response mechanisms for natural disasters</li> <li>— Stockpile critical supplies and conduct risk assessments based on climate trends</li> <li>— Allocate resources reasonably to minimize losses; refine risk management measures and emergency plans for extreme weather</li> </ul>
Transition risk	Stricter environmental policies, such as carbon emission restrictions, which may increase operating costs	Increased compliance costs and carbon management costs	<ul style="list-style-type: none"> <li>— Closely track changes in environmental laws and regulations, actively pursue a green and low-carbon development path, and initiate the formulation of a low-carbon development action plan</li> <li>— Improve resource utilization efficiency</li> </ul>
Market and reputational Risks	Failure to communicate promptly with external stakeholders or disclose information	May trigger negative public sentiment and customer loss	<ul style="list-style-type: none"> <li>— Strengthen communication with stakeholders and disclose the Company's climate change mitigation measures through multiple channels</li> </ul>

### Compliant Emission Management

The Group consistently regards environmental protection as a core component of its operational management and places a high priority on emissions compliance. We strictly adhere to laws and regulations such as the Environmental Impact Assessment Law of the People's Republic of China and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China. Furthermore, we align our practices with the civilized construction requirements of our operating locations to continuously standardize emission management processes, ensuring the effective implementation of all environmental protection measures.

To strengthen the execution of environmental management, the Group enforces strict controls across two key dimensions: personnel and responsibilities. We enhance the environmental awareness of construction personnel by placing highly visible environmental signage at construction sites and clearly defining operational requirements, ensuring that all workers fully understand and comply with environmental regulations. In the meantime, we explicitly delineate the environmental protection responsibilities of the management at all levels and across all departments. Acting as the primary body for environmental inspection and supervision, the safety management department regularly conducts comprehensive inspection and routine spot checks to promptly eliminate hazards. Should a major environmental pollution incident occur, the Group will immediately establish an accident investigation team. This team will conduct systematic investigations, analyze root causes, and implement corrective actions to strictly prevent the recurrence of similar issues. Over the years, the Group has maintained an excellent environmental track record and has not involved in any major compliance violations or environmental pollution accidents.

The Group's emissions primarily originate from construction activities, including dust and wastewater generated during the construction process; atmospheric pollutants such as nitrogen oxides ( $\text{NO}_x$ ), sulfur dioxide ( $\text{SO}_2$ ), and particulate matter (PM) emitted by the operation of construction machinery and vehicles; and solid wastes including construction debris and domestic garbage. Additionally, construction noise remains a key environmental issue under our strict control. To systematically mitigate the impact of these emissions, the Group has formulated a comprehensive Environmental Protection Management and Prevention Measures, and applies standardized, accountability-driven, and continuous full-process controls over all identified environmental factors to ensure the effective execution of our management requirements. The Group has established the following specific control measures for these various emissions:

### Specific Measures of the Environmental Protection and Prevention Policy

<b>Construction dust management</b>	<ul style="list-style-type: none"> <li>— Conduct technical briefings on dust control prior to construction.</li> <li>— Store fine bulk materials in enclosed areas and erect dust-proof enclosures for mixing operations.</li> <li>— Implement wet operation methods, such as water sprinkling and fog cannons, during construction.</li> <li>— Sort and store waste by category, ensure timely removal and transportation, and strictly prohibit open-air stockpiling.</li> </ul>
<b>Sewage discharge management</b>	<p><b>Production wastewater</b></p> <ul style="list-style-type: none"> <li>— Strictly implement the pollutant discharge permitting and registration system.</li> <li>— Install settling tanks to treat sediment-laden wastewater and conduct regular cleaning.</li> </ul> <p><b>Domestic wastewater</b></p> <ul style="list-style-type: none"> <li>— Promote water conservation and ensure all domestic wastewater is discharged into the municipal sewage network.</li> <li>— Maintain a hazardous waste register and entrust disposal to qualified entities in strict compliance with legal requirements.</li> </ul>
<b>Solid waste management</b>	<ul style="list-style-type: none"> <li>— Store solid waste by category with clear and proper labeling.</li> <li>— Store hazardous waste in tightly sealed containers.</li> <li>— Keep detailed logs recording the types, quantities, and final destinations of all waste.</li> </ul>
<b>Noise management</b>	<ul style="list-style-type: none"> <li>— Prohibit the on-site use of high-noise equipment, such as diesel generators.</li> <li>— Reasonably position high-noise equipment to avoid operating during sensitive hours.</li> <li>— Obtain legal permits and publicly display notices prior to any nighttime construction.</li> </ul>
<b>Air pollutant management</b>	<ul style="list-style-type: none"> <li>— Prioritize the use of low-emission machinery and clean energy sources.</li> <li>— Regularly monitor exhaust gas emissions at the construction site.</li> <li>— Strictly prohibit the incineration of waste and install fume and dust collection facilities.</li> </ul>

## Green Operation

For green operation practices, the Company strictly adheres to national laws and regulations on energy and resource management, and deeply embeds the philosophy of energy conservation and consumption reduction into daily management. By establishing a routine resource efficiency assessment mechanism, we regularly conduct quantitative analyses of energy and water consumption data. This allows us to accurately identify areas for improvement and continuously optimize resource allocation plans through a data-driven approach. Centered on the goal of efficient resource utilization, the Group makes concerted efforts across two dimensions: hardware upgrades and mechanism enhancements. At the equipment level, we systematically promote the introduction and application of highly energy-efficient equipment following rigorous technical and economic evaluations. At the management level, we have established a hierarchical resource control system with clear accountability. We explicitly refine metering units and monitoring frequencies to achieve dynamic tracking and closed-loop management of energy and water consumption. While continuously consolidating institutional and technological foundations, the Group also regards the cultivation of a green culture as a crucial lever for driving sustainable transformation. Leveraging internal communication channels, targeted training sessions, and themed events, we widely promote the concept of a green office and guide employees to translate their energy-saving awareness into conscious daily actions. Taking Third Harbor Maritime as an example, we have installed energy-saving reminder signs across office areas and public spaces. This scenario-based approach standardizes electricity usage habits, ensuring that environmental philosophies are genuinely integrated into daily work. Through the synergy of institutional regulations, technological support, and cultural guidance, the Company is steadily building a comprehensive and multi-layered green operation system.

### Specific Measures for Resource Utilization Management

#### Energy saving initiatives

##### Lighting fixtures upgrade:

- Utilize LED lighting fixtures and turn off lights when not in use to reduce electricity consumption for lighting.

##### Air conditioning energy conservation:

- Set air conditioning units to optimal temperatures to reduce electricity consumption for cooling.

##### Online meetings:

- Prioritize online meetings to minimize the resource consumption associated with business travel.

##### Equipment upgrades:

- Replace outdated equipment with “energy-efficient, eco-friendly, and low-carbon” alternatives.

##### Monitoring and statistics:

- Accurately calculate electricity consumption, establish power usage standards, and strengthen the monitoring of electricity usage.

#### Water conservation initiatives

##### Regular inspections

- The maintenance team performs regular equipment maintenance and inspect water valves to prevent any leaks, drips, or water waste.

##### Monitoring and statistics

- Accurately calculate water consumption, establish water usage standards, and intensify the monitoring of abnormal water usage data.
- Route all domestic wastewater through dedicated pipelines directly into the municipal sewage network.

##### Water conservation publicity

- Promote water conservation through diverse awareness campaigns and educational signage to cultivate water-saving habits among employees.

### Typical case of green operation 1: resource-saving publicity

In 2025, to further advance green and low-carbon development, the Group executed a series of energy conservation awareness campaigns throughout its office areas. We displayed friendly reminders in key areas, from main entrances and office walls to prominent spots in meeting rooms. These notices carried practical reminders such as, “Remember to clock in and out; press the switch when leaving” and “No shouting in the office area; switch off the device if you are the last to go”. Such practical visual advocacy effectively reinforced employee’s sense of responsibility for energy conservation. It ensured that our green office culture was not only deeply ingrained but also reflected in conscious daily actions. Ultimately, these initiatives infused new momentum into the successful advancement of the Group’s sustainable development strategy.

#### Resource Conservation Awareness Posters



## Social

Upholding the core values of “Responsibility, Integrity, Innovation, and Win-Win”, the Company fully integrates social responsibility into development strategy and actively drives sustainable development across workforce, supply chain, customer relations, and public welfare initiatives. We are committed to fostering a safe, equitable, and inclusive work environment that prioritizes employee growth and well-being. In supply chain management, we conduct rigorous audits of the sustainability and ethical performance of our partners, working closely with them to drive the green transformation of the entire industry chain. Guided by a customer-centric philosophy, we continuously elevate product quality, strengthen intellectual property protection, and effectively safeguard customers’ rights and interests. Furthermore, the Company actively engages in public welfare programs by supporting essential causes such as education, poverty alleviation, and environmental protection. Through these concrete actions, we fulfill our corporate responsibilities and actively contribute to social harmony and sustainable development.

### Ensuring Engineering Quality

The Company fully recognizes that engineering quality management is the cornerstone of enhancing the core competitiveness and brand influence. We strictly comply with the Construction Law of the People's Republic of China, the Regulations on the Administration of Qualifications of Enterprises in Construction Industry, and other laws and regulations. Guided by the management principles of "scientific management, compliance with rules and regulations, safe production, environmental protection, quality excellence, contract fulfillment and customer satisfaction", we have formulated internal systems including the Quality, Environment and Occupational Health and Safety Management Manual, which clearly defines the management objectives, organizational structure and functional requirements. We have also issued supporting system documents, including the Measures for the Management of Engineering Projects' Technical Quality, and the Rules for Handling Project Quality Incidents, to enforce full-process guidance, supervision, and inspection over engineering quality to ensure the effective execution of all services. We continuously strive to derive premium engineering projects and outstanding service to our customers.

Building on this robust institutional foundation, the Company promotes standardized management in strict alignment with international quality management system requirements. To date, we have successfully obtained certifications for the GB/T19001-2016/ISO9001:2015 Quality Management System, the GB/T50430-2017 Code for Quality Management of Engineering Construction Enterprises, the GB/T24001-2016/ISO14001:2015 Environmental Management System, and the GB/T45001-2020/ISO45001:2018 Occupational Health and Safety Management System. We leverage these comprehensive management systems to continuously optimize construction processes and ensure steady improvement of engineering quality. Our subsidiaries, Shanghai Third Harbor Benteng Maritime Engineering Co., Ltd. and Watts Gallop Construction Engineering Group Co., Ltd., have obtained a number of first-class engineering qualifications, fully demonstrating our comprehensive strength across the infrastructure areas, including port, waterway, coastal and construction engineering.

**Quality Management System Certifications Obtained by the Two Principal Subsidiaries of the Group**



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



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



GB/T45001-2020/  
ISO14001:2018 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

As part of specific measures, the Group's engineering management department, guided by strict quality management procedures, continuously monitors the construction execution and the implementation of construction organization design of each project department. For issues identified during the construction process, the project department implements immediate rectifications and keeps records to ensure traceability and continuous improvement. Prior to engineering project delivery, relevant units must complete self-inspection and self-assessment, and confirm compliance with quality standards before submitting the project to the client for inspection and acceptance. If quality defects are identified during the acceptance process, the responsible department must immediately initiate corrective measures and simultaneously report to the management in charge. Upon project delivery, customer return visits are conducted concurrently to optimize service plans by collecting feedback. In the event of quality incidents, the project department must report the details within 24 hours and initiate investigation and review procedures to ascertain the causes and hold responsible parties accountable, thereby ensuring systemic prevention of similar issues. To better understand customer needs, the project team maintains real-time communication with clients, ensuring that project progress and responses to customer feedback are synchronized. Currently, the Group's business focuses on fields such as ports, waterways, marine engineering, and municipal engineering. As of 31 December 2025, the Group had not received any complaints related to service quality, reflecting the effective operation of its quality management system. To foster a culture of quality, the Group has introduced the Reward Measures for Projects Winning Engineering Quality Awards, granting rewards to projects that have received provincial and ministerial-level high-quality engineering awards, as well as honors such as quality management achievements. Meanwhile, quality management symposiums are regularly organized to promote experience sharing and capability enhancement. During the Reporting Period, the Group received multiple external awards and industry recognitions in quality management:

### Quality Control Awards and Recognitions

Awarded by	Name of Award	Granting Time
<b>Wuyi County Bureau of Housing and Urban-Rural Development</b>	2025 HushanCup (High-Quality Project) of Wuyi County	February 2025
<b>Zhejiang Provincial Municipal Industry Association</b>	2025 Annual Class III Achievement of Excellent Quality Control Circle in Zhejiang Provincial Municipal Industry	May 2025
<b>Hangzhou Municipal Industry Association</b>	2025 First-Class QC Achievement Award in Hangzhou Municipal Industry	July 2025
<b>Hangzhou Urban-Rural Construction Committee</b>	2025 Annual First Prize of Excellent QC Achievements in Hangzhou Municipal Industry	December 2025
<b>Hangzhou Fuyang District Market Supervision and Administration Bureau</b>	2025 Fuyang District People's Government Quality Award	December 2025

### Building a Happy Workplace

The Company firmly believes that employees are not only the core engine for value creation but also the most direct embodiment of corporate vitality. Consistently adhering to a people-oriented core philosophy, the Company has built a comprehensive growth support system covering the entire employee lifecycle, ranging from talent acquisition and capability building to career development. Through systematic training mechanisms and diverse promotion channels, it continuously unlocks employee potential and fosters cohesion and creativity within the team. The Company deeply integrates the protection of employee rights and interests, occupational health and safety, remuneration and benefits, as well as a psychological sense of belonging into its governance and operations. It is committed to cultivating a fair, safe, and inclusive workplace ecosystem, enabling every employee to realize their personal value through mutual growth and to advance hand in hand with the Company toward a stage of higher-quality development.

### ***Employment Management***

Talent is the key to maintaining competitive advantage, and a harmonious working environment is the foundation for providing high-quality services. The Company strictly complies with laws and regulations such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and the Provisions on the Prohibition of Using Child Labor. It has formulated internal regulations such as the Human Resources Management System to implement systematic management over processes including recruitment, transfer, onboarding and resignation, remuneration, training, and leave, creating a fair and comfortable working environment with ample room for development for employees. During the recruitment and promotion processes, the Company strictly prohibits restricting employee development based on factors such as race, gender, color, age, family background, ethnic tradition, religion, physical condition, or nationality. It selects talents through various forms including campus recruitment, social recruitment, and internal recommendation, in accordance with the principles of openness, fairness, competition, and meritocracy. The Company also signs labor contracts with all employees to clarify the rights and obligations of both parties in terms of working hours, remuneration, and benefits, effectively safeguarding the legitimate rights and interests of employees. In terms of employee information protection, the Company strictly maintains the confidentiality of records such as personnel files, salary income, and bonus distribution, and strictly prohibits the disclosure of personal information, ensuring employee privacy and information security. As of 31 December 2025, the Company had not experienced any confirmed violations of laws and regulations or related litigation concerning employment and labor standards.

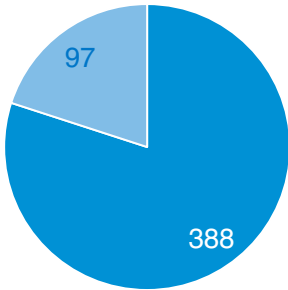
As part of the internationalization strategy, the Company actively recruits local talents in overseas regions such as Brunei and Indonesia. By building diverse and localized teams, it has not only effectively supported its international business expansion but also made positive contributions to local economic development and employment growth.

The Company continuously focuses on and supports the development of social diversity and inclusion, actively providing equal employment opportunities for people with disabilities. It arranges suitable positions based on their individual abilities and wishes, ensuring they enjoy equitable opportunities for development. Meanwhile, the Company provides employees with disabilities with benefits such as medical insurance, leave entitlements, and necessary assistive devices, supporting them in successfully carrying out their work and achieving personal growth. Through a series of practical measures, the Company is committed to creating a working atmosphere that places equal emphasis on respect and care, enabling every employee to realize their self-worth and advance hand in hand with the Company toward a higher-quality path of sustainable development.

## Environmental, Social and Governance Report

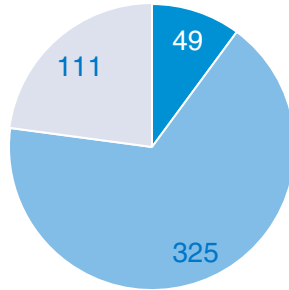
As of 31 December 2025, the Group had a total of 485 full-time employees. The detailed data are as follows:

**Total number of employees by gender (persons)**



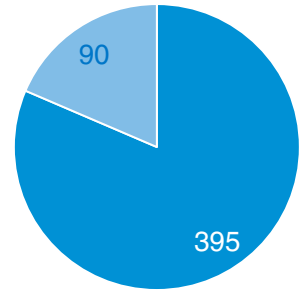
Male Female

**Total number of employees by age (persons)**



Aged below 30 Aged 30-50 Aged over 50

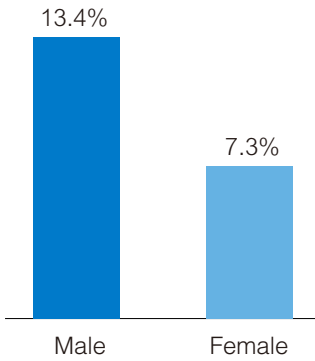
**Total number of employees by region (persons)**



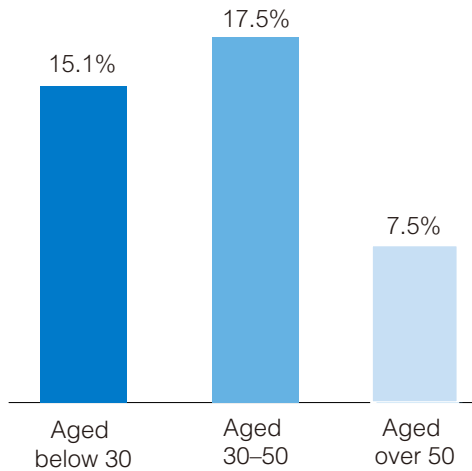
China Overseas

The Group's employee turnover was as follows:

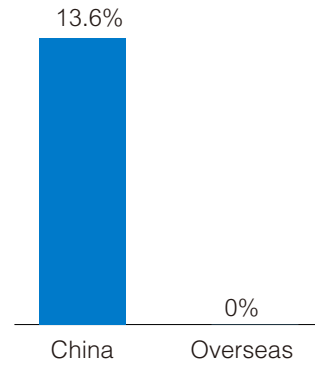
**By gender**



**By age**



**By region**



### ***Working Hours and Holidays***

The Company places high importance on employees' reasonable rest and a healthy work rhythm, fully recognizing that this is the key to ensuring work efficiency and employee well-being. To this end, the Company has formulated and implemented the Attendance and Leave Management System, clearly specifying the application of the standard working hour system, comprehensive working hour system, or irregular working hour system based on position characteristics. Taking into account the actual operational conditions of project departments, such as continuous operations or weather impacting construction progress, respective subsidiaries and project departments may flexibly adjust employees' leave arrangements in accordance with the Project Department Leave Policy. Meanwhile, the Company provides multiple types of leave, including annual leave, personal leave, sick leave, work-related injury leave, marriage leave, bereavement leave, family planning leave, and compensatory leave. Under the premise of meeting business needs, the Company maximizes the protection of employees' right to rest and their well-being.

In terms of work arrangements, the Company advocates for employees to efficiently complete their tasks within normal working hours, minimizing unnecessary overtime as much as possible. The Attendance and Leave Management System and the labor contract clearly stipulate matters such as working hours, attendance, and leave, resolutely eliminating any form of forced labor. If any forced labor is found, employees may report them to local labor inspection authorities at any time. The Company will promptly initiate an investigation and immediately rectify the issue, ensuring that similar situations do not recur. During the Reporting Period, the Company did not experience any incidents of forced labor.

### ***Compensation and Benefits***

In terms of compensation and benefits, the Company has consistently maintained a proactive optimization mechanism. It regularly conducts systematic annual surveys on market compensation trends, changes in position requirements, and the current status of employee compensation, thereby building and continuously improving a market-competitive compensation system. On top of the original structure of "monthly salary (including basic salary, position allowance, and monthly performance bonus) plus annual performance bonus", the Company introduced new incentive measures such as project-based subsidies, overseas subsidies, and semi-annual output value bonuses. These measures have effectively mobilized employees' initiative and enhanced their overall engagement. Meanwhile, the Company strictly complies with national laws and regulations, paying in full the pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and the housing provident fund for all employees, comprehensively safeguarding their legitimate rights and interests.

During subcontracting phase of the project, the Company places strong emphasis on safeguarding the rights and interests of migrant workers. By signing the letter of commitment for the payment of migrant workers' wages with subcontractors, it clearly defines the monthly wage distribution process and control requirements, thereby preventing wage disputes from the source and effectively protecting the legitimate rights and interests of migrant workers.

## Environmental, Social and Governance Report

In addition to statutory remuneration and benefits, the Company actively broadens the scope of employee care. Through diversified measures such as daily subsidies, health and wellness activities, special benefits for female employees, and holiday gift packages, it continuously strengthens employees' sense of belonging and well-being, fostering a positive, harmonious, and stable corporate culture.

### Typical case of employee benefits 1: Distribution of Spring Festival Gift Packages

On 24 January 2025, as the Lunar New Year approached and the festive atmosphere intensified, the Company thoughtfully organized the "Delivering Warmth for the Spring Festival" employee welfare activity. To express gratitude for the hard work of all employees over the past year and convey the Company's humanistic care, heartfelt Spring Festival gift packages were presented to employees.

This Spring Festival welfare distribution not only allowed employees to feel the Company's warm care during the cold winter, which has enhanced their sense of belonging and well-being, but also significantly boosted team morale and fostered a shared vision for development. Employees expressed that they would transform the Company's care into motivation for their career endeavors in the new year, devoting themselves to their roles with greater enthusiasm and high morale to contribute more to the Company's high-quality development.

#### Scene of Distribution of Spring Festival Gift Packages



### Typical case of employee benefits 2: International Women's Day Celebration

On 8 March 2025, to celebrate International Women's Day, the Company specially planned and held a Women's Day appreciation activity. To fully convey festive blessings and heartfelt care for all female employees, and to express gratitude for their dedication and outstanding contributions in their roles, the Company thoughtfully prepared exclusive holiday gift packages, extending sincere greetings and best wishes to the female staff.

The neatly arranged, exquisite gift bags carried not only tangible benefits but also the Company's respect and care for its female employees.

#### Delicate Gifts for International Women's Day



In addition to recognizing employee care as a key priority, 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 channels, 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**

**Typical case of employee activities 1: Organization of Employee Mountaineering Activity**

In April 2025, at the height of spring and amid nature’s renewal, the Company, in collaboration with Watts Benteng Building, organized a mountaineering expedition to Sheshan National Forest Park to enrich employees’ cultural and recreational lives, advocate for a healthy and proactive lifestyle, and strengthened team cohesion. It provided staff members with a valuable opportunity to immerse themselves in nature and enjoy psychological recuperation amidst their busy schedules.

This hiking event not only allowed employees to relieve work-related stress and improve their physical fitness amid the beautiful natural scenery, but also significantly strengthened team cohesion and a sense of belonging through collective engagement. Employees enthusiastically expressed their commitment to channeling the spirit of solidarity, collaboration, and scaling new heights—demonstrated during the hike—into their future work. They are prepared to embrace upcoming challenges with elevated morale and robust health, thereby injecting a continuous stream of vitality into the Company’s high-quality development.



**Development and Training**

The Group has always regarded employees as its most valuable core assets, fully recognizing that employee growth is the key support for it to achieve long-term sustainable development. Adhering to a “people-oriented” philosophy, the Company is committed to building a fair and transparent career development environment. By formulating internal regulations such as the Performance Appraisal Management System and the Internal Promotion Management System, it has established a scientific and fair competition mechanism. The clear promotion channels and ranking system fully cover the management track, support track, and project management track, mapping out clear career development paths for employees, effectively stimulating their enthusiasm for work, and fostering a healthy competitive atmosphere within the Company.

In terms of performance appraisal, the Company implements multi-dimensional assessments for base-level employees, primarily conducted by the leaders in charge. Quantitative evaluations are carried out on quarterly, semi-annual, and annual cycles, and performance bonuses are reasonably distributed based on the assessment results, truly reflecting the distribution principle of “greater pay for greater contribution”. Meanwhile, by integrating employees’ assessed performance, personal development aspirations, and the Company’s actual needs, the Company tailors career development plans to help employees accurately seize promotion opportunities and achieve the mutual growth of individuals and the Company.

To meet the new talent requirements brought by strategic development and market changes, the Group places high importance to the development of a talent training system. From October to November each year, based on the Company’s operational status, strategic objectives, and the needs of various positions, the human resources department systematically compiles the annual training needs form and prepare the training plan for the following year. During the Reporting Period, a total of 20 training courses were organized, covering three major categories: internal training, external training, and internship training. Internal training focuses on core job competencies such as internal control management and business skills. External training prioritizes the acquisition of qualification certificates, professional skill enhancement, and industry exchanges, supporting employees in key positions in obtaining professional qualifications. Interns are systematically trained in phases strictly in accordance with regulations, and a comprehensive assessment is conducted before they become regular employees to ensure their smooth integration into the Company. Through the above measures, the Group effectively safeguards employees’ rights to development and continuously consolidates its talent foundation. In the future, the Company will continue to advance the innovation of talent mechanisms, optimize the growth environment, and inject enduring momentum into its long-term development.

### Training System of the Group

Internship training	Internal training	External training
<ul style="list-style-type: none"> <li>In accordance with the Management Regulations on Intern Cultivation for Fresh Graduates, the Company standardizes the training plans, designated mentors, and assessment methods for the internship period of fresh graduates. The internship training is systematically divided into two stages: "corporate orientation and preliminary job skills training" and "fundamental job skills training". Before interns become regular employees, they must pass a comprehensive job rotation assessment as well as a final comprehensive evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>During the Reporting Period, the internal training sessions organized by the Company covered internal control (including anti-corruption), management, business, technical, and safety training. These programs fully considered diverse target groups and addressed the specific training needs of various employees.</li> </ul>	<ul style="list-style-type: none"> <li>During the Reporting Period, the Company carried out external training programs covering professional certifications, skill enhancement, and professional title accreditation, while actively organizing exchange and training sessions with industry peers. For employees in fields such as construction, quality control, and safety who required specialized external training and certification, the Group collaborated with professional third-party institutions to conduct training and assessments, assisting employees in obtaining professional qualification certificates.</li> </ul>

Employee Training Performance Table 2025

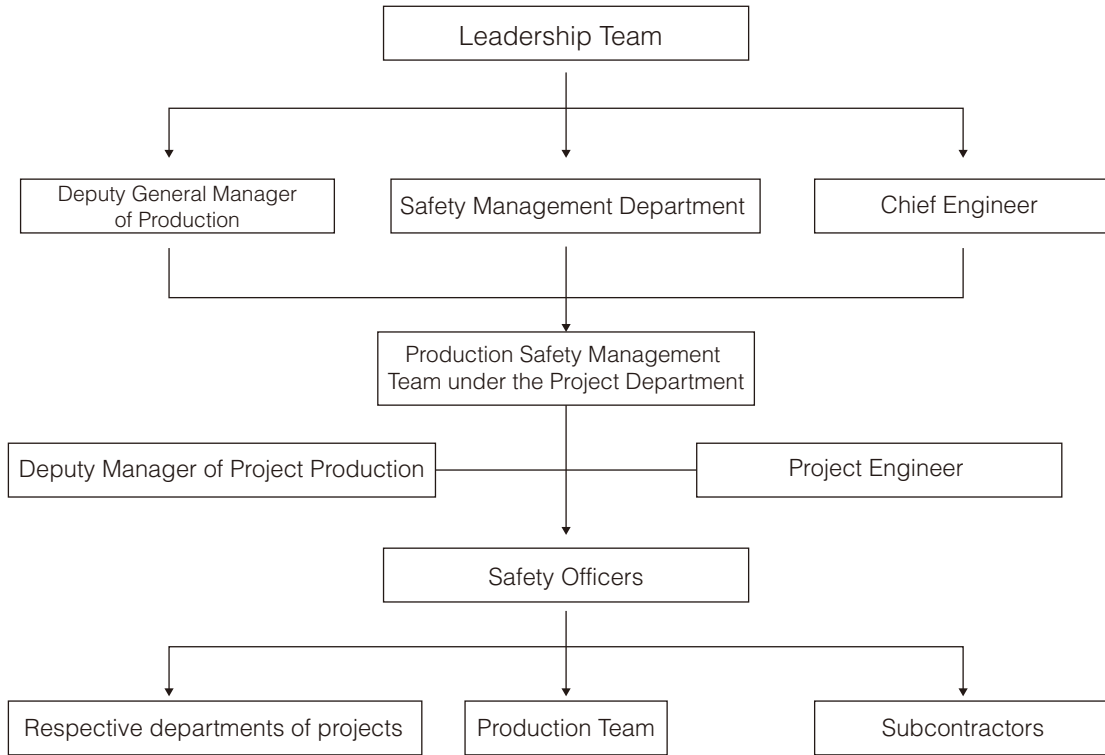
	Percentage of employees trained	Average training hours per employee
<b>By gender</b>		
Male	79.0%	39.9
Female	21.0%	27.2
<b>By employment type</b>		
Senior management	5.4%	11.8
Middle-level management	10.5%	43.1
Base-level management	84.1%	37.9

### ***Employee Health and Safety***

Employee safety is vital to their personal interests and family happiness. The Group consistently prioritizes employee health and safety, adhering to the policy of “Safety First, Prevention as the Priority, and Comprehensive Management”. Committed to a path of safe development, the Group strives to build a secure and reliable work and production environment, providing a solid foundation for employees to work with peace of mind. In its operations, the Group strictly complies with applicable laws and regulations, including the Work Safety Law of the People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases, and the Regulations on Work Safety Licenses. These legal requirements are fully integrated into daily management, with safety responsibilities clearly defined for every department and position, ensuring that work safety is legally grounded and accountability is assigned to individuals. The Group actively benchmarks against international advanced standards and has obtained the GB/T45001–2020/ISO45001:2018 Occupational Health and Safety Management System certification. By systematically identifying potential workplace risks and scientifically assessing risk levels, the Group formulates targeted control measures and continuously optimizes safety management processes, driving the regularization, standardization, and scientific advancement of its safety management.

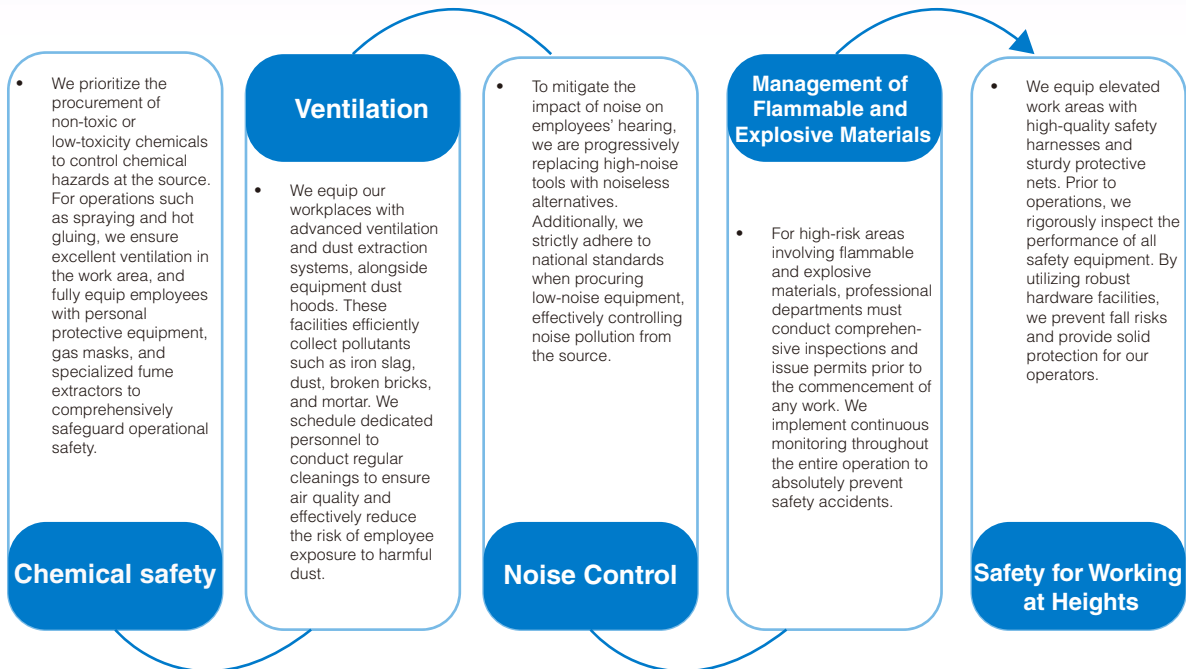
To strengthen safety management, the Group continuously improves its internal safety management system. The Work Safety Management Measures clarifies various safety processes and operating standards, providing specific guidance for daily production. Meanwhile, the Work Safety Responsibility System implements safety duties at every level from departments to individual roles and employees. This creates a framework of collective accountability where “the heavy burden is shared by all of us, and everyone has the responsibility on their shoulders”, ensuring that all safety matters are properly overseen and everyone holds specific responsibilities. Subsidiaries further refine management details based on their specific business characteristics. Taking Watts Gallop Construction as an example, in accordance with the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents, it has formulated the System for the Reporting, Investigation and Handling of Work Safety Accidents. This procedure sets out clear regulations for emergency response, reporting flows, investigation and prevention, cost allocation, and accountability for work-related injuries. It ensures that immediate first aid and reporting are carried out following an accident, root causes are thoroughly analyzed, and preventive measures are formulated, thereby safeguarding the legitimate rights of injured employees and reinforcing safety awareness among all staff. As of the end of the Reporting Period, the Group had not experienced work-related fatalities or injuries. Looking forward, the Group will continue to strengthen its safety management, enhance its management systems, increase safety investment, and innovate management practices to create a safer and more comfortable working environment, and support the sustainable development of both the Company and its employees.

**Production Safety Management Structure**



To effectively ensure the implementation of occupational health and safety objectives, we continuously optimize risk prevention and control system, establishing an end-to-end management mechanism that covers risk identification and assessment, preventive measures, and emergency response plans. By proactively and comprehensively identifying and evaluating potential occupational hazards in the workplace, we systematically implement targeted safety precaution measures and formulate specific emergency response plans tailored to the characteristics of each project. This mechanism aims to eliminate or minimize occupational health risks to the greatest extent, and create a safe and healthy working environment for our employees.

### Measures for Safety Risk Prevention



Placing great importance on the continuous monitoring of employees' occupational health, the Company has formulated and implemented the Measures for the Prevention and Control of Occupational Health Hazards. Under the supervision and guidance of the leading group for the occupational hazard prevention and control, we systematically carry out key tasks, such as establishing health surveillance records and overseeing the provision and proper use of occupational disease protective equipment to ensure that employee health conditions are fully documented and traceable. Additionally, the Company continuously carries out diverse occupational health awareness campaigns to promote knowledge on occupational disease prevention, effectively enhancing employees' self-protection awareness and capabilities. By addressing the impact of occupational hazard factors at the source, we solidly reinforce our occupational health defenses.

To elevate employees' awareness of safety risks and their emergency response capabilities, the Company has formulated the Safety Education and Training System. This establishes a comprehensive safety training framework that covers all employees throughout the entire operational process. In conjunction with special initiatives such as "Work Safety Month", we strengthen our safety culture to foster a strong atmosphere where "everyone advocates safety, and every action prioritizes safety". Regarding training implementation, we combine internal and external training methods to tailor content for different groups, including interns, new hires, employees at construction sites, and special operation personnel. Employees are explicitly required to pass safety education assessments before commencing work, ensuring they possess the necessary safety knowledge and skills.

## Environmental, Social and Governance Report

Furthermore, the Company regularly organizes safety training and emergency drills for both management and operational personnel. By simulating various unexpected emergency scenarios, we enable employees to accumulate hands-on response experience. Addressing issues identified during these drills, all units promptly conduct post-action reviews and evaluations to pinpoint weak links and swiftly implement corrective measures. Through routine drills and continuous improvement, we consistently enhance the emergency response capabilities of our entire workforce. This thorough preparation for unexpected safety incidents comprehensively safeguards employee lives and ensures the stable operation of the Company.

### Typical case of protecting the health and safety of employees 1: Fire Drill at the Nantong Project Department

In the afternoon of 27 June 2025, during the 24th National “Work Safety Month”, the Company organized a fire emergency drill at the Nantong Project Department to effectively strengthen employees’ fire safety awareness and emergency response capabilities, thereby reinforcing the safety defense line at the construction site. The drill lasted for three hours and involved 40 participants, comprising project management personnel and frontline workers.

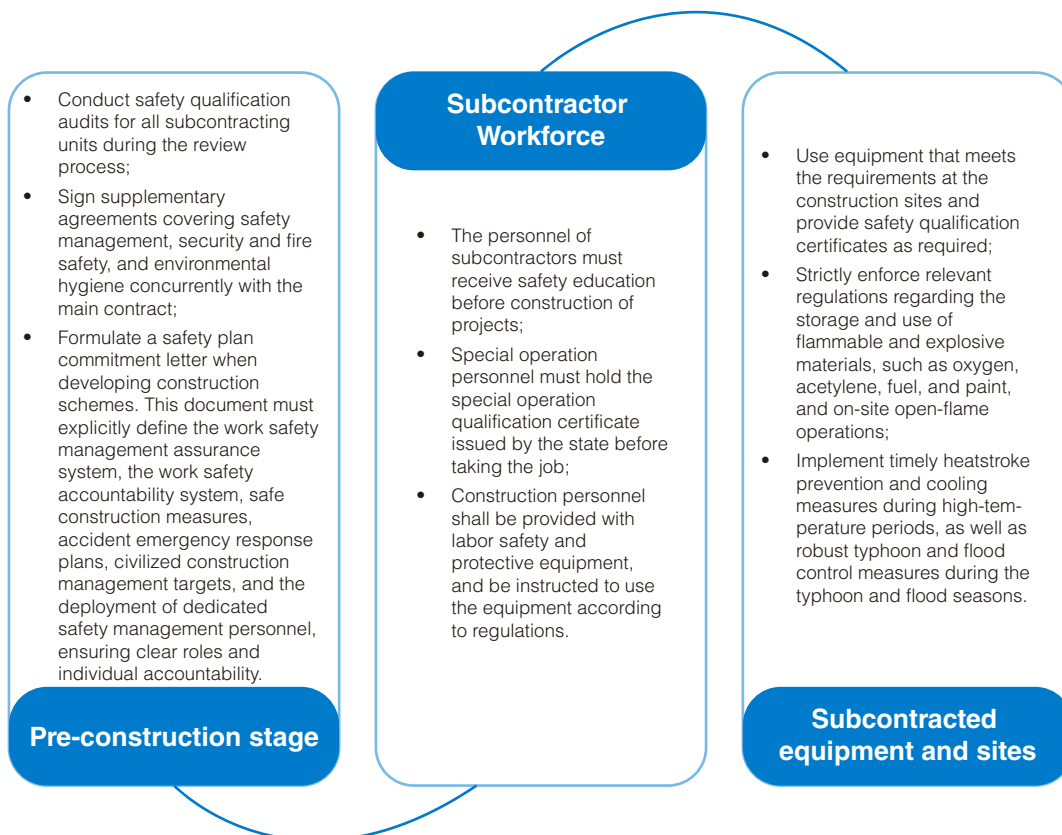
This live-action drill not only verified the operability and effectiveness of the project’s fire emergency plan but also equipped the 40 participants with proficient skills in incipient fire extinguishing and emergency evacuation. Furthermore, it reinforced the safety mindset that “hidden hazards are more perilous than open flames, and prevention prevails over disaster relief”. Taking this drill as a catalyst, the Company will continuously strengthen on-site safety management and perfect emergency management mechanisms. These ongoing efforts will provide a solid safety guarantee for the high-quality construction of the Nantong Project.

#### Scene from the “Work Safety Month” Event



The Group places great importance on the occupational health and safety management of subcontractors at construction sites. To systematically regulate subcontractors' safety behaviors, we have formulated and implemented internal systems, including the Measures for Work Safety Management of Subcontractors and the Management System for Qualifications of Subcontracting Subcontractors and Personnel. During the project preparation phase, we explicitly require subcontractors to formulate comprehensive work safety plans. Regarding workforce management, we strictly review personnel allocations and mandate the execution of safety training. For site and equipment management, we stipulate that all equipment must meet safety standards and undergo regular maintenance. Furthermore, we require rational site layouts equipped with adequate warning signs. Concurrently, we strictly control the credentials of subcontracting entities and their personnel. We individually verify the occupational qualifications of relevant staff to ensure that all personnel are properly certified before taking duty. Through the comprehensive execution of these systems, the Group has built a full-process safety management framework across four dimensions: planning, personnel, site operations, and qualifications. This robust framework effectively safeguards the work safety of all subcontractor personnel.

### Subcontractor Safety Management Process

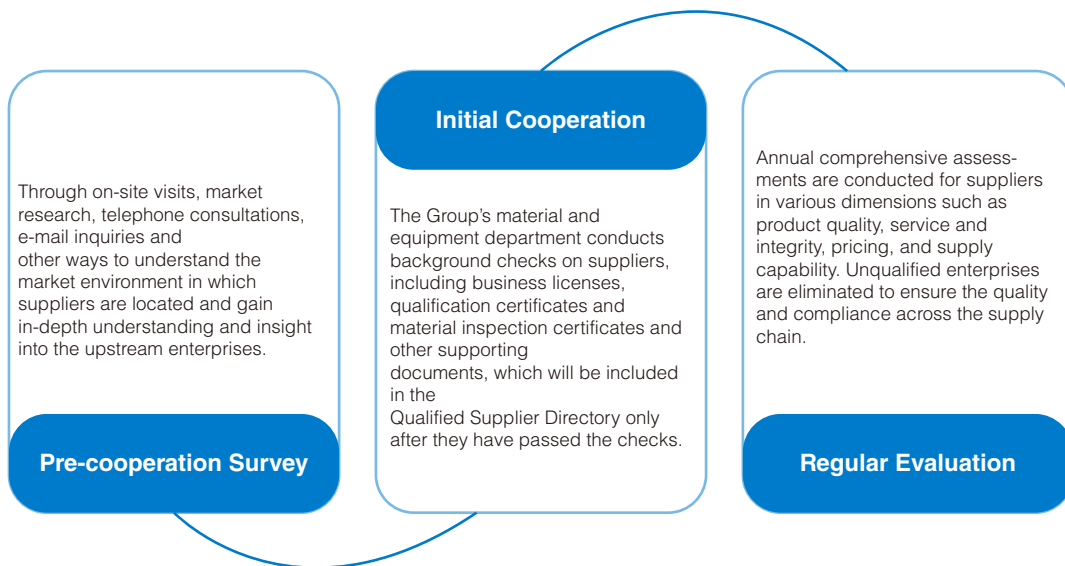


## Environmental, Social and Governance Report

### Responsible Supply Chain

A high-quality and sustainable supply chain system is a vital cornerstone for the Company’s long-term and stable development. To ensure standardized, transparent, and sustainable supply chain operations, the Group continuously improves its responsible supply chain management framework. It has formulated and implemented internal control documents, such as the Procurement Management System and the Material Management System, to strengthen compliance and execution efficiency from the source, covering supplier onboarding, procurement processes, and cooperation assessments. Prior to any cooperation, the Company conducts systematic risk assessments and gains an in-depth understanding of potential suppliers’ qualifications, creditworthiness, and performance in Environmental, Social, and Governance (ESG) aspects through various methods, including site visits, market research, phone calls, and emails. During the initial phase of cooperation, the Company and its suppliers jointly confirm basic requirements such as production qualifications, environmental compliance, and business ethics, and sign relevant agreements to clarify the rights, responsibilities, and objectives of both parties. To continuously enhance supply chain compliance and sustainability, the Company conducts regular performance evaluations of its suppliers, focusing on supply quality, pricing, delivery cycles, and the fulfillment of environmental and social responsibilities. For any deficiencies identified, the Company promptly proposes improvement suggestions and tracks their implementation. Through a systematic and whole-process management mechanism, the Company continues to strengthen synergy with suppliers in terms of compliance, transparency, social responsibility, and win-win cooperation, building solid partnerships and creating broader development opportunities for both parties. In the future, the Company will further optimize management across all supply chain segments, refine audit, training, evaluation, and incentive mechanisms, and drive the continuous improvement of overall supply chain management to support the achievement of its higher-quality development goals.

### Supplier Cooperation Process



As of 31 December 2025, the Group had 349 suppliers, and no supplier was dismissed due to product safety problems.

In addition to suppliers, subcontractors are equally vital partners to the Company. To ensure that cooperation remains compliant, transparent, and aligned with the principles of integrity, the Company has formulated internal systems such as the Evaluation and Management Methods for Qualified Subcontractors and the Management System for Safety Qualifications of Subcontracting Units and Personnel. These regulations strengthen subcontractor onboarding and full-process risk management through standardized procedures.

For the subcontractors with whom we cooperate for the first time, the Company strictly reviews documents including business licenses, qualification grade certificates, and safety production permits, while verifying the qualifications of relevant personnel. Furthermore, the Company conducts deep-dive investigations into their reputation, project track record, production and technical management capabilities, and shareholder backgrounds. Only after passing the review can they be included in the Qualified Supplier List. To maintain the quality of cooperation, the Company performs annual reviews of active subcontractors, focusing on engineering quality, construction safety, and compliance, while tracking the implementation of any required improvements. Subcontractors who fail to meet requirements, show poor construction performance, or have no cooperation records for three consecutive years are promptly removed from the list, ensuring the professionalism and stability of the Company's partner network.

Regarding sustainable development, the Company systematically integrates environmental protection, occupational health and safety (OHS), and social responsibility into its management framework for subcontractors and suppliers, ensuring implementation through cooperation agreements and daily management processes. During project evaluation and on-site operation stages, subcontractors are explicitly required to establish safety management systems, implement pollutant prevention and control measures, and regulate waste classification and disposal, thereby minimizing environmental and safety risks during construction. Through continuous communication and improvement with partners, the Company is committed to building a reliable and responsible supply chain system, providing solid support for its sustainable development goals.

### **Intellectual Property and Privacy Protection**

The Company consistently attaches great importance to intellectual property (IP) protection, strictly complying with the Patent Law of the People's Republic of China, the Law of the People's Republic of China on Guarding State Secrets, the Enterprise Intellectual Property Management Standards, and other relevant laws and regulations. To provide unified regulation and management of intangible assets such as patents, trademarks, and proprietary technologies, the Company has formulated the Intangible Assets Management System. By continuously refining these systems, the Company is committed to safeguarding its legitimate rights, interests, and core competitiveness. As of 31 December 2025, the Company had added 11 new patents, including 3 invention patents and 8 utility model patents, highlighting its continuous progress in technological innovation.

Information security and the protection of trade secrets are vital cornerstones for winning customer trust and maintaining corporate reputation. To this end, the Company has formulated and implemented internal regulations such as the Confidentiality Management System and the Information System Management System. These policies clarify the confidentiality responsibilities of employees and relevant departments regarding customer data and sensitive business information. Furthermore, the Company implements hierarchical management of internal information, with designated personnel responsible for the classification, circulation, and control of confidential documents. The Company also signs confidentiality agreements with all new employees to ensure the security and integrity of customer and corporate information at a systemic level. Through these measures, the Company continues to strengthen its preventive capabilities in IP and privacy protection, providing solid safeguards for the interests of its customers and the Company.

## Public Benefits and Charities

The Group consistently fulfills its corporate social responsibility and regards public welfare as a vital path for giving back to society. To standardize its philanthropic practices and enhance the effectiveness of its actions, the Company has formulated the Management Measures for Charity and Public Benefit Activities. It has established a full-cycle management mechanism covering activity planning, organizational implementation, and subsequent supervision, ensuring that every public benefit initiative is effectively implemented and delivers meaningful value. These funds were primarily dedicated to supporting education, improving medical conditions, and assisting in poverty alleviation efforts, contributing to social development through tangible actions. Looking ahead, the Group will remain committed to its original philanthropic mission, continuously expanding the forms of its public benefit initiatives and increasing investment. Through more pragmatic actions, the Group aims to promote social harmony and progress, fulfilling its responsibility and commitment as a corporate citizen.

### Typical case of public benefits and charities 1: Community heat relief outreach

In July 2025, during the height of midsummer, the Company's Party Branch organized Party member representatives to visit the Songnan No. 6 Village Community. This "Bringing Cooling Relief in Summer" donation and outreach activity was launched to actively practice corporate social responsibility and leverage the leading role of Party building, providing residents with heatstroke prevention supplies and heartfelt care.

This outreach activity provided not only material assistance but also emotional support to the community residents, fully demonstrating the Company's commitment to its philosophy of "originating from society and giving back to society". The Company's Party Branch will continue to advance the "I do practical things for the masses" initiative, actively participating in community governance through diverse public welfare actions. By fulfilling its original mission through tangible efforts, the Company aims to contribute corporate strength to a social governance framework based on collaboration, participation, and shared benefits.

#### Scene of community heat relief outreach



## Governance

The Group consistently emphasizes the construction of a robust corporate governance system, viewing a standardized governance structure as a vital pillar for driving sustainable development. In response to the increasingly complex market environment, the Company continuously promotes the optimization of its governance structure, strengthening the scientific rigor and transparency of its decision-making processes. We also enhance cross-departmental synergy and efficiency to ensure clear delineations of authority and responsibility, alongside high operational efficiency. These efforts continuously bolster the organization's flexibility and risk resilience amid change. In addition, we adhere to high standards of business ethics, systematically advancing risk management and compliance construction. We strictly implement all anti-corruption and anti-bribery requirements to ensure that all business operations are legal, compliant, honest, and transparent throughout the process. By continuously refining governance mechanisms and internal control systems, the Company steadily consolidates the foundation of trust with all stakeholders, providing a solid guarantee for long-term growth and sustainable value creation.

### Sound Governance System

The Group consistently upholds the principles of sound governance and accountability, continuously optimizing its governance system and enhancing governance effectiveness to navigate the complex and volatile market environment while ensuring efficient and stable operations. In accordance with regulatory requirements such as the Code of Corporate Governance for Listed Companies, the Guidelines for the Articles of Association of Listed Companies, and the Environmental, Social and Governance Reporting Guide of the Stock Exchange, the Company benchmarks against domestic and international best practices to continuously refine its governance framework and dynamically optimize its articles of association and related internal systems. By clearly defining the functions and responsibilities of the highest organ of power, decision-making bodies, supervisory bodies, and executive bodies, the Company ensures clear division of labor and efficient synergy, forming a governance mechanism with effective checks and balances. On this basis, the Company continuously improves management and decision-making efficiency, ensuring that all processes are transparent and standardized. Furthermore, the Company has refined its systems related to general meetings, detailing procedures for convening, presiding over, and submitting proposals to effectively safeguard the legitimate rights and interests of minority shareholders and further enhance the transparency and fairness of corporate governance.

## ESG Risk Management

Effective management and prevention of ESG risks serve as a vital safeguard for the Company's high-quality development. In 2025, the Company further integrated ESG risks into its comprehensive risk management system, continuously refined the ESG risk management framework and clearly defined risk appetite and response strategies. By strengthening the identification, assessment, response, and monitoring of potential risks related to climate change, policy adjustments, and environmental, social, and governance (ESG) factors, the Company has enhanced its capability to address material ESG risks that may impact business activities. This ensures that the Company operates steadily within a framework of compliance and ethics, reducing the impact of potential risks on its interests and reputation, and providing a solid foundation for long-term sustainable development.

### ESG Risk Management System of the Group

ESG Risk Management Steps	Management Measures
<b>Risk identification</b>	<ul style="list-style-type: none"> <li>The Company proactively identifies ESG risks through diversified channels, focusing on potential risks in environmental impact, social responsibility, and corporate governance. We encourage all employees to participate in risk reporting to strengthen a culture of risk awareness. We also conduct regular ESG risk reviews, utilizing project site inspections and work safety monitoring to promptly detect potential risk points.</li> </ul>
<b>Risk evaluation</b>	<ul style="list-style-type: none"> <li>During the assessment phase, the Board Office leads the comprehensive analysis of identified ESG risks. It forms a risk working group with relevant departments to conduct specialized inspections, evaluating risk levels and responsibility attribution to ensure an objective and comprehensive assessment process.</li> </ul>
<b>Risk response</b>	<ul style="list-style-type: none"> <li>In response to identified risks, the Company systematically reviews the issues, summarizes commonalities, and provides management optimization suggestions to the departments involved, driving the implementation of risk response measures.</li> </ul>
<b>Risk oversight and follow-up rectification</b>	<ul style="list-style-type: none"> <li>Regarding rectification and accountability, the risk working group regularly tracks the progress of implementation. Any discovered violations are strictly penalized based on their severity according to internal systems, serving as a risk warning. Furthermore, the Company conducts root cause analysis to propose optimizations for management processes and systems, continuously refining the ESG risk management system.</li> </ul>

### **Diversified Board**

The Company places great importance to the board diversity 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 robust director nomination mechanism. All candidates for directorships must be reviewed by the Nomination Committee and recommended by the Board of Directors before being submitted to the general meeting for confirmation. The Board Diversity Policy strictly adheres to the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and selects board members based on the Company's development strategy and business needs. Adhering to the principle of meritocracy, the nomination process takes full account of multiple factors, including gender, race, language, cultural background, educational background, industry experience, and professional skills, ensuring that the Board possesses a comprehensive vision and professional depth in its decision-making. Furthermore, the Nomination Committee regularly reviews the composition and structure of the Board, assesses diversity levels and the skills required, and provides reasonable recommendations to the Board to ensure that the corporate governance structure remains aligned with business development.

As of 31 December 2025, the Board of the Company comprised 8 members, including 5 executive directors and 3 independent non-executive directors. The presence of female members in both the Board and senior management further reflects the positive outcomes of the Company's commitment to promoting Board diversity.

### **Professional Ethics and Anti-corruption**

The Group firmly believes that integrity and honesty are the fundamental cornerstones for achieving long-term development and building a solid business reputation. To ensure stable operations in a complex and volatile market environment, we strictly comply with relevant laws and regulations, 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. Consistently adhering to high standards of business ethics, the Company continuously refines its governance system and compliance mechanisms. Furthermore, to regulate the Board's handling of inside information, the Company has formulated the Code of Corporate Governance Practices and Inside Information Disclosure Policy, ensuring the transparency and fairness of information decision-making and disclosure processes.

To foster a fair, honest, and clean operating environment, the Company has issued the Anti-Corruption Policy, which comprehensively regulates the business conduct of the Group and its employees in key areas such as risk prevention, the acceptance and provision of advantages, hospitality and conflicts of interest, education and training, as well as reporting, rewards, and penalties. The Company explicitly prohibits all forms of bribery, extortion, fraud, and money laundering. Through regular training, publicity, and guidance, the Company continuously enhances employees' compliance awareness and professional ethics, ensuring that every individual strictly adheres to internal control and integrity requirements.

In building long-term, clean, and fair business relationships with all partners, the Company consistently adheres to high-standard screening criteria. Prior to initiating any cooperation, background checks are conducted on potential partners, including agents, suppliers, customers, and other business entities, to ensure they have no record of dishonesty. Additionally, the Company requires the signing of an integrity agreement, which clearly stipulates the ethical and legal standards to be upheld by both parties throughout cooperation. Through these management mechanisms, the Company strives to ensure operational transparency and accountability, creating long-term sustainable value for shareholders, employees, and society.

## Environmental, Social and Governance Report

The Group places great importance to cultivating a culture of integrity, regarding the enhancement of employees' integrity awareness as the foundation of its anti-corruption efforts. For the year ended 31 December 2025, the Company had organized two specialized training sessions for all directors, senior management, and employees, covering topics such as anti-corruption, professional integrity, and compliance awareness. These sessions systematically promoted integrity concepts and professional ethics, supporting the steady realization of the Company's sustainable development goals. The Group maintains a "zero-tolerance" attitude toward all forms of corruption and bribery. To this end, we have established public reporting channels via email and a dedicated hotline. If employees or external stakeholders discover any violations of business ethics, including bribery, extortion, fraud, or money laundering, they may report them through the following channels:

- 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 severe cases, their appointment/employment will be terminated, and the matter will be filed for formal inquiry and referred to judicial authorities. For units or individuals whose leads or evidences are found to be true, we will give appropriate rewards. At the same time, we endeavor to protect whistleblower information to avoid unfair treatment or retaliation. For the year ended 31 December 2025, there was no corruption-related lawsuit filed against the Group or its employees.

# Independent Auditor's Report



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 105 to 191, comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated statement of comprehensive income/(loss) 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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSA**s”) as 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**”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## Independent Auditor's Report

### 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 RMB728.9 million and RMB1,150.8 million for the year ended 31 December 2025, 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 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 basis 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. As to confirmations replied with differences, we obtained evidence and explanations from management and reconciled the book amounts to replied amounts.
- 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.

## Independent Auditor's Report

## 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, Notes 3.1, 4(b), 5(d) and 21 to the consolidated financial statements.

As at 31 December 2025, trade receivables, retention receivables, long-term trade receivables and contract assets (collectively, the "**Project Receivables**") of the Group amounted to RMB1,231.5 million, RMB342.6 million, RMB61.4 million and RMB815.3 million, while the impairment provision of which amounted to RMB173.4 million, RMB54.6 million, RMB3.1 million and RMB38.8 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.

## Independent Auditor's Report

### 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 2025 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 corporate information, management discussion and analysis, biographical details of directors and senior management, report of the directors, corporate governance report and environmental, social and governance report prior to the date of this auditor's report. The remaining other information, including chairman's statement, 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 HKFRS Accounting Standards as 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 are 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 HKSAAs 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 HKSAAs, 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.

## Independent Auditor's Report

- 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 Chan Nga Sze (Practising Certificate Number: P06345).

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 26 March 2026

# Consolidated Statement of Comprehensive Income/(Loss)

For the year ended 31 December 2025

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Revenue	5	<b>1,879,652</b>	1,534,193
Cost of sales	5,8	<b>(1,698,075)</b>	(1,435,653)
<b>Gross profit</b>		<b>181,577</b>	98,540
Selling and distribution expenses	8	<b>(4,598)</b>	(5,671)
Administrative expenses	8	<b>(90,414)</b>	(99,157)
Net impairment losses on financial assets and contract assets	3.1(b)	<b>(32,676)</b>	(48,341)
Other operating expenses	8	—	(305)
Other income	6	<b>3,470</b>	3,252
Other gains — net	7	<b>10,249</b>	2,850
<b>Operating profit/(loss)</b>		<b>67,608</b>	(48,832)
Finance income	10	<b>2,586</b>	3,521
Finance costs	10	<b>(15,838)</b>	(22,734)
<b>Profit/(loss) before income tax</b>		<b>54,356</b>	(68,045)
Income tax expense	11	<b>(21,257)</b>	(1,204)
<b>Profit/(loss) for the year</b>		<b>33,099</b>	(69,249)
<b>Other comprehensive (loss)/income</b>			
Items that may be reclassified to profit or loss			
Currency translation differences		<b>(5,407)</b>	418
Items that will not be reclassified to profit or loss	25		
Changes in the fair value of equity instruments at fair value through other comprehensive income, net of tax	19	<b>(710)</b>	21,285
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(6,117)</b>	21,703
<b>Total comprehensive income/(loss) for the year, attributable to the shareholders of the Company</b>		<b>26,982</b>	(47,546)
<b>Earnings/(loss) per share for profit/(loss) attributable to the shareholders of the Company (expressed in RMB cents per share):</b>			
— <b>Basic and diluted earnings/(loss) per share</b>	12	<b>4.04</b>	(8.46)

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

# Consolidated Statement of Financial Position

As at 31 December 2025

	Note	As at 31 December	
		2025 RMB'000	2024 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	57,734	54,939
Investment properties	15	7,362	9,982
Right-of-use assets	16	8,373	9,569
Intangible assets	17	32	43
Contract assets	5	371,100	469,072
Trade and other receivables	21	127,922	96,555
Deferred income tax assets	29	40,126	36,383
Financial assets at fair value through other comprehensive income	19	3,388	4,098
		<b>616,037</b>	<b>680,641</b>
<b>Current assets</b>			
Inventories	20	5,593	6,383
Contract assets	5	405,336	371,690
Trade and other receivables	21	1,902,960	1,801,358
Restricted cash	22	176,315	144,744
Cash and cash equivalents	22	438,171	342,658
		<b>2,928,375</b>	<b>2,666,833</b>
<b>Total assets</b>		<b>3,544,412</b>	<b>3,347,474</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	23	7,303	7,303
Share premium	23	265,444	265,444
Shares held for employee share scheme	24	(4,756)	(4,756)
Other reserves	25	16,704	22,821
Retained earnings	26	439,208	406,109
<b>Total equity</b>		<b>723,903</b>	<b>696,921</b>

## Consolidated Statement of Financial Position

As at 31 December 2025

	Note	As at 31 December	
		2025 RMB'000	2024 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	28	80,000	4,500
Lease liabilities	16	—	65
Trade and other payables	27	118,149	167,841
Deferred income tax liabilities	29	3,291	3,815
		<b>201,440</b>	176,221
<b>Current liabilities</b>			
Contract liabilities	5	153,681	69,065
Trade and other payables	27	2,146,684	2,109,717
Borrowings	28	307,373	275,998
Lease liabilities	16	65	272
Income tax payables		11,266	19,280
		<b>2,619,069</b>	2,474,332
<b>Total liabilities</b>		<b>2,820,509</b>	2,650,553
<b>Total equity and liabilities</b>		<b>3,544,412</b>	3,347,474

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

The financial statements on pages 105 to 191 were approved by the Board of Directors on 26 March 2026 and were signed on its behalf.

---

 Director

---

 Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

		Attributable to the shareholders of the Company					
		Shares held for employee		Shar	Other	Retained	Total
	Note	Share capital	share scheme	premium	reserves	earnings	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2024</b>		7,303	(4,756)	273,074	31,054	445,422	752,097
<b>Comprehensive income</b>							
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
<b>Total comprehensive income</b>		—	—	—	21,703	(69,249)	(47,546)
<b>Other reserve movements</b>							
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)
<b>Total other reserve movements</b>		—	—	(7,630)	(29,936)	29,936	(7,630)
<b>Balance at 31 December 2024</b>		7,303	(4,756)	265,444	22,821	406,109	696,921

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to the shareholders of the Company						
	Note	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
<b>Balance at 1 January 2025</b>		<b>7,303</b>	<b>(4,756)</b>	<b>265,444</b>	<b>22,821</b>	<b>406,109</b>	<b>696,921</b>
<b>Comprehensive income</b>							
Profit for the year		—	—	—	—	33,099	33,099
Currency translation differences		—	—	—	(5,407)	—	(5,407)
Changes in the fair value of equity instruments at fair value through other comprehensive income, net of tax		—	—	—	(710)	—	(710)
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>(6,117)</b>	<b>33,099</b>	<b>26,982</b>
<b>Balance at 31 December 2025</b>		<b>7,303</b>	<b>(4,756)</b>	<b>265,444</b>	<b>16,704</b>	<b>439,208</b>	<b>723,903</b>

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 2025

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	31(a)	47,710	2,906
Interest received		557	1,264
Income tax paid		(33,538)	(12,966)
<b>Net cash generated from/(used in) operating activities</b>		<b>14,729</b>	<b>(8,796)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14	(15,127)	(4,107)
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 and other long term assets	31(c)	462	3,907
Dividends received from financial assets at fair value through other comprehensive income	7	96	305
<b>Net cash (used in)/generated from investing activities</b>		<b>(14,569)</b>	<b>39,654</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	31(d)	398,265	317,039
Repayments of borrowings	31(d)	(291,390)	(239,710)
Dividend paid	30	—	(7,630)
Interest paid	10,31(d)	(11,006)	(10,313)
Lease payment	31(d)	(282)	(3,632)
<b>Net cash generated from financing activities</b>		<b>95,587</b>	<b>55,754</b>
<b>Net increase in cash and cash equivalents</b>		<b>95,747</b>	<b>86,612</b>
Cash and cash equivalents at beginning of the financial year		342,658	255,754
Effects of exchange rate changes on cash and cash equivalents		(234)	292
<b>Cash and cash equivalents at end of year</b>	22	<b>438,171</b>	<b>342,658</b>

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 2025

## 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 26 March 2026.

## 2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS Accounting Standards comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards,
- Hong Kong Accounting Standards, and
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

The preparation of the consolidated financial statements in conformity with HKFRS Accounting Standards 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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 2025:

- Lack of Exchangeability – Amendments to HKAS 21

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 2025 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, with limited impact to the statement of cashflow, and providing more disclosures including management-defined performance measures within the financial statements. The Group is currently assessing the detailed implications of HKFRS 18 on the Group's consolidated financial statements.

<b>Standards</b>	<b>Key requirements</b>	<b>Effective for accounting periods beginning on or after</b>
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
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendment to IAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
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
Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37	Disclosures about Uncertainties in the Financial Statements	To be determined

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 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 Indonesia Rupiah ("IDR"), as certain assets, purchase and sales of the Group is denominated in IDR. The Group also has certain amounts of cash and bank balances denominated in IDR, 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 2025, if RMB had strengthened/weakened by 5% against the IDR, with all other variables held constant, the total profit/loss for the year would have been RMB2,938,530 lower/higher, mainly as a result of foreign exchange losses/gains on translation of IDR 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (b) Credit risk

Credit risk arises from restricted cash, cash and cash equivalents, 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 and restricted cash, 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 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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 and the corresponding historical credit losses experienced before 31 December 2025 or 1 January 2025 respectively. 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.

*1. 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 2025, the trade receivables of RMB2,432,000 (2024: RMB34,507,000) and retention receivables of RMB1,664,000 (2024: RMB18,498,000) from customers that are expected difficult to be recovered, of which the Group made individual loss allowance of RMB2,432,000 (2024: RMB4,708,000) against trade receivables and RMB1,664,000 (2024: RMB2,693,000) against retention receivables as at 31 December 2025.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**3 FINANCIAL RISK MANAGEMENT** (Continued)**3.1 Financial risk factors** (Continued)**(b) Credit risk** (Continued)*(ii) Impairment of financial assets* (Continued)*1. Trade and retention receivables* (Continued)

As at 31 December 2025 and 2024, 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
<b>At 31 December 2025</b>					
Expected loss rate	3.16%	6.68%	14.29%	53.97%	
Gross carrying amount	283,337	37,439	21,593	86,444	428,813
<b>Total loss allowance provision</b>	<b>8,958</b>	<b>2,501</b>	<b>3,086</b>	<b>46,653</b>	<b>61,198</b>
<b>At 31 December 2024</b>					
Expected loss rate	3.41%	6.93%	15.00%	34.32%	
Gross carrying amount	340,114	35,840	13,684	104,568	494,206
<b>Total loss allowance provision</b>	<b>11,601</b>	<b>2,485</b>	<b>2,053</b>	<b>35,890</b>	<b>52,029</b>
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
<b>At 31 December 2025</b>					
Expected loss rate	7.34%	11.79%	14.82%	35.38%	
Gross carrying amount	89,744	1,786	131	46,554	138,215
<b>Total loss allowance provision</b>	<b>6,591</b>	<b>211</b>	<b>19</b>	<b>16,471</b>	<b>23,292</b>
<b>At 31 December 2024</b>					
Expected loss rate	5.93%	9.35%	11.88%	81.15%	
Gross carrying amount	89,925	142	37,593	10,020	137,680
<b>Total loss allowance provision</b>	<b>5,333</b>	<b>13</b>	<b>4,465</b>	<b>8,131</b>	<b>17,942</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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
<b>At 31 December 2025</b>					
Expected loss rate	4.79%	13.41%	22.99%	58.89%	
Gross carrying amount	521,097	124,880	63,353	90,954	800,284
<b>Total loss allowance provision</b>	<b>24,945</b>	<b>16,741</b>	<b>14,566</b>	<b>53,567</b>	<b>109,819</b>
<b>At 31 December 2024</b>					
Expected loss rate	4.89%	15.05%	24.26%	72.01%	
Gross carrying amount	506,197	115,966	83,382	40,513	746,058
<b>Total loss allowance provision</b>	<b>24,758</b>	<b>17,453</b>	<b>20,228</b>	<b>29,174</b>	<b>91,613</b>
<b>Retention receivables</b>					
	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
<b>At 31 December 2025</b>					
Expected loss rate	8.29%	27.89%	46.34%	85.27%	
Gross carrying amount	158,749	30,485	9,003	4,443	202,680
<b>Total loss allowance provision</b>	<b>13,152</b>	<b>8,503</b>	<b>4,172</b>	<b>3,788</b>	<b>29,615</b>
<b>At 31 December 2024</b>					
Expected loss rate	6.11%	25.87%	50.67%	90.95%	
Gross carrying amount	127,366	9,507	1,271	5,666	143,810
<b>Total loss allowance provision</b>	<b>7,787</b>	<b>2,459</b>	<b>644</b>	<b>5,153</b>	<b>16,043</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 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 2025, there is no contract asset (2024: RMB5,242,000 from one customer) under litigation claims. The Group made no individual loss allowance for these contract assets for the year ended 31 December 2025 (2024: RMB5,242,000). And the contract assets of RMB4,633,000 (2024: RMB4,633,000) from one customer are expected difficult to be recovered. The Group made an individual loss allowance of RMB4,633,000 (2024: RMB4,633,000) for these contract assets for the year ended 31 December 2025.

The expected loss rates of the remaining contract assets were assessed to be 3.16% for marine construction and 4.79% for municipal public construction (2024: 3.41% and 4.89%), respectively.

As at 31 December 2025, the loss allowance for provision for contract assets of marine construction and municipal public construction were approximately RMB13,585,000 and RMB25,251,000 (2024: RMB11,182,000 and RMB38,944,000), 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 2025, the loss allowance provision for long-term trade receivables was approximately RMB3,142,000 (2024: RMB3,315,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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 2025 and 2024 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
<b>At 1 January 2024</b>	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)
<b>At 31 December 2024</b>	148,350	36,678	3,315	50,126	238,469
Provision for/(Reversal of) loss allowance recognized in the consolidated statement of comprehensive income					
— General provision/(Reversal of) for collectively impaired loss allowance	28,190	18,974	(173)	(5,768)	41,223
— Specific provision for individually impaired loss allowance	(2,276)	(1,029)	—	(5,242)	(8,547)
Currency translation differences	(816)	(52)	—	(280)	(1,148)
<b>At 31 December 2025</b>	173,448	54,571	3,142	38,836	269,997

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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:

	<b>Year ended 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	<b>2024</b> <i>RMB'000</i>
Net impairment losses charged to profit or loss	<b>32,676</b>	48,341

**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.

	<b>Less than 1 year <i>RMB'000</i></b>	<b>Between 1 and 2 years <i>RMB'000</i></b>	<b>Between 2 and 5 years <i>RMB'000</i></b>	<b>Over 5 years <i>RMB'000</i></b>	<b>Total <i>RMB'000</i></b>
<b>At 31 December 2024</b>					
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
	<b>2,478,933</b>	<b>163,156</b>	<b>28,267</b>	<b>34</b>	<b>2,670,390</b>
<b>At 31 December 2025</b>					
Borrowings, including					
interest payables	<b>313,231</b>	<b>2,839</b>	<b>81,307</b>	—	<b>397,377</b>
Lease liabilities	<b>65</b>	—	—	—	<b>65</b>
Trade and other payables	<b>2,110,936</b>	<b>30,339</b>	<b>86,777</b>	<b>151</b>	<b>2,228,203</b>
	<b>2,424,232</b>	<b>33,178</b>	<b>168,084</b>	<b>151</b>	<b>2,625,645</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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 2025 and 2024 was resulted from the Group's operation. The debt to equity ratios as at 31 December 2025 and 2024 are as follows:

	<b>As at 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Total borrowings (Note 28)	<b>387,373</b>	280,498
Less: cash and cash equivalents and restricted cash (Note 22)	<b>(614,486)</b>	(487,402)
Net cash	<b>(227,113)</b>	(206,904)
Total equity	<b>723,903</b>	696,921
Debt to equity ratio	<b>N/A</b>	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.

	<i>Note</i>	<b>Level 1</b> <i>RMB'000</i>	<b>Level 2</b> <i>RMB'000</i>	<b>Level 3</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>At 31 December 2025</b>					
Financial assets at fair value through other comprehensive income	19	<b>3,388</b>	—	—	<b>3,388</b>
<b>At 31 December 2024</b>					
Financial assets at fair value through other comprehensive income	19	4,098	—	—	4,098

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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.

As at 31 December 2025 and 2024, 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**5 SEGMENT INFORMATION** (Continued)**(b) Segment results and other information**

The segment information for the year ended 31 December 2025 is as follows:

	Year ended 31 December 2025		
	Marine construction RMB'000	Municipal public construction RMB'000	Total RMB'000
Revenue	728,876	1,150,776	1,879,652
Cost of sales	(656,507)	(1,041,568)	(1,698,075)
Gross profit	72,369	109,208	181,577
Unallocated items			
Operating expenses			(127,688)
Other income (Note 6)			3,470
Other gains — net (Note 7)			10,249
Finance costs — net (Note 10)			(13,252)
Profit before income tax			54,356
Income tax expense (Note 11)			(21,257)
Profit for the year			33,099
Segment items included:			
Depreciation and amortization (Note 8)	(8,438)	(5,105)	(13,543)
Net impairment losses on financial assets and contract assets (Note 3.1)	(18,068)	(14,608)	(32,676)

The segment assets and liabilities at 31 December 2025 are as follows:

	As at 31 December 2025			Total RMB'000
	Marine construction RMB'000	Municipal public construction RMB'000	Inter- segment elimination RMB'000	
Total assets	1,354,358	2,281,530	(91,476)	3,544,412
Total liabilities	943,183	1,968,802	(91,476)	2,820,509

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**5 SEGMENT INFORMATION** (Continued)**(b) Segment results and other information** (Continued)

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

	Year ended 31 December 2024		
	Marine construction <i>RMB'000</i>	Municipal public construction <i>RMB'000</i>	Total <i>RMB'000</i>
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 year			(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			Total <i>RMB'000</i>
	Marine construction <i>RMB'000</i>	Municipal public construction <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	
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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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					
	2025			2024		
	Marine construction RMB'000	Municipal public construction RMB'000	Total RMB'000	Marine construction RMB'000	Municipal public construction RMB'000	Total RMB'000
<b>PRC</b>						
Revenue	468,569	1,150,776	1,619,345	338,986	1,036,998	1,375,984
Cost of sales	(423,727)	(1,041,568)	(1,465,295)	(308,516)	(987,096)	(1,295,612)
	<u>44,842</u>	<u>109,208</u>	<u>154,050</u>	<u>30,470</u>	<u>49,902</u>	<u>80,372</u>
<b>Southeast Asia</b>						
Revenue	260,307	—	260,307	158,209	—	158,209
Cost of sales	(232,780)	—	(232,780)	(140,041)	—	(140,041)
	<u>27,527</u>	<u>—</u>	<u>27,527</u>	<u>18,168</u>	<u>—</u>	<u>18,168</u>

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	
	2025 RMB'000	2024 RMB'000
PRC	61,370	72,325
Southeast Asia	12,131	2,208
<b>Total</b>	<u>73,501</u>	<u>74,533</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**5 SEGMENT INFORMATION** (Continued)**(d) Contract assets and liabilities**

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

	<b>As at 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>Contract assets</b>		
Current portion		
Marine construction	<b>148,622</b>	172,356
Municipal public construction	<b>279,268</b>	220,203
Less: allowance for impairment of contract assets <i>(Note 3.1(b))</i>	<b>(22,554)</b>	(20,869)
	<b>405,336</b>	371,690
Non-current portion		
Marine construction	<b>139,155</b>	24,258
Municipal public construction	<b>248,227</b>	474,071
Less: allowance for impairment of contract assets <i>(Note 3.1(b))</i>	<b>(16,282)</b>	(29,257)
	<b>371,100</b>	469,072
<b>Total contract assets</b>	<b>776,436</b>	840,762
<b>Contract liabilities</b>		
Marine construction	<b>24,323</b>	9,916
Municipal public construction	<b>129,358</b>	59,149
<b>Total contract liabilities</b>	<b>153,681</b>	69,065

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**5 SEGMENT INFORMATION** (Continued)**(d) 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 RMB372,352,000 (2024: RMB308,402,000) of contract assets were transferred to trade receivables, while approximately RMB70,348,000 (2024: RMB62,730,000) of contract assets were transferred to retention receivables during the year ended 31 December 2025.

**(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 2025 and 2024 related to carried-forward contract liabilities.

	<b>Year ended 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Marine construction	<b>1,942</b>	—
Municipal public construction	<b>24,760</b>	1,804
	<b>26,702</b>	1,804

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**5 SEGMENT INFORMATION** (Continued)**(d) Contract assets and liabilities** (Continued)**(iii) Unsatisfied performance obligations**

The following table shows the unsatisfied performance obligations as at 31 December 2025 and 2024.

	<b>As at 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Marine construction	<b>1,028,906</b>	980,873
Municipal public construction	<b>1,347,797</b>	1,332,027
	<b>2,376,704</b>	2,312,900

For marine construction services, management expects that 83% of the transaction price allocated to the unsatisfied contracts as at 31 December 2025 will be recognised as revenue before 31 December 2026, 17% will be recognised as revenue before 31 December 2027. For municipal public construction services, management expects that 61% of the transaction price allocated to the unsatisfied contracts as at 31 December 2025 will be recognised as revenue before 31 December 2026, 24% will be recognised as revenue before 31 December 2027 and 15% will be recognised as revenue before 31 December 2028.

**6 OTHER INCOME**

	<b>Year ended 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Rental income	<b>1,840</b>	1,840
Government grants relating to costs	<b>1,221</b>	1,204
Others	<b>409</b>	208
	<b>3,470</b>	3,252

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**7 OTHER GAINS — NET**

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Net foreign exchange gains	7,144	3,151
Gains on claims	1,701	—
Gains/(losses) on disposal of investment properties	722	—
Gains from amounts not required to be paid	331	—
Dividend income from financial assets at fair value through other comprehensive income	96	305
Gains/(losses) on disposal of property, plant and equipment — net ( <i>Note 31(c)</i> )	65	(240)
Donations	—	(90)
Others — net	190	(276)
	<b>10,249</b>	<b>2,850</b>

**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	
	2025 RMB'000	2024 RMB'000
Raw materials and consumables used	928,764	835,336
Subcontracting costs	636,971	504,327
Operating lease expenses	58,546	36,480
Wages and salaries, social welfare and benefits, including directors' emoluments ( <i>Note 9</i> )	69,113	66,607
Travelling and entertainment expenses	18,976	19,144
Consulting service expenses	17,044	15,506
Depreciation of property, plant and equipment ( <i>Note 14</i> )	11,950	13,432
Taxes and surcharges	6,723	4,899
Utilities	6,684	6,188
Transportation expenses	5,222	6,247
Auditors' remuneration — Audit services	1,600	1,880
Depreciation of right of use assets ( <i>Note 16</i> )	1,196	1,910
Depreciation of investment properties ( <i>Note 15</i> )	386	435
Amortisation of intangible assets ( <i>Note 17</i> )	11	27
Provision for impairment of investment properties	—	3,252
Other expenses	29,901	25,116
	<b>1,793,087</b>	<b>1,540,786</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**9 EMPLOYEE BENEFIT EXPENSES****(a) Employee benefit expenses**

	<b>Year ended 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Salaries, wages and allowances	<b>53,351</b>	52,830
Pension costs	<b>6,725</b>	6,622
Bonuses	<b>9,037</b>	7,155
Total employee benefit expenses	<b>69,113</b>	66,607

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group include two (2024: two) directors whose emoluments are reflected in the analysis presented in Note 36 during the year ended 31 December 2025. The emoluments paid to the remaining three (2024: three) individuals for the years ended 31 December 2025 and 2024 are as follows:

	<b>Year ended 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	<b>2,006</b>	1,825
Contribution to pension scheme	<b>65</b>	88
Discretionary bonuses	<b>480</b>	480
Total employee benefit expenses	<b>2,551</b>	2,393

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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 2025 and 2024 fell within the following bands:

	<b>Year ended 31 December</b>	
	<b>2025</b>	2024
Emolument bands HK\$500,000 to HK\$1,000,000	<b>3</b>	2
Emolument bands HK\$1,000,000 to HK\$1,500,000	<b>—</b>	1
	<b>3</b>	3

During the years ended 31 December 2025 and 2024, 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 INCOME AND COSTS**

	<b>Year ended 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Finance income		
— Interest income derived from cash and bank and other financial instruments	<b>557</b>	1,264
— Unwinding of discount of long-term receivables	<b>2,029</b>	2,257
	<b>2,586</b>	3,521
Finance costs		
— Unwinding of discount of long-term payables	<b>(4,822)</b>	(12,359)
— Interest expenses on bank borrowings	<b>(11,006)</b>	(10,313)
— Interest expenses paid/payable for lease liabilities	<b>(10)</b>	(62)
	<b>(15,838)</b>	(22,734)
<b>Finance costs — net</b>	<b>(13,252)</b>	(19,213)

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**11 INCOME TAX EXPENSE**

	<b>Year ended 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Current income tax	<b>25,524</b>	7,915
Deferred income tax ( <i>Note 29</i> )	<b>(4,267)</b>	(6,711)
<b>Income tax expense — net</b>	<b>21,257</b>	1,204

**(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% (2024: 16.5%) for the year ended 31 December 2025.

**(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% (2024: 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 November 2025 and is entitled to a preferential income tax rate of 15% (2024:15%) in year 2025. Shanghai Watts Environmental Technology Co., Ltd. (“**Watts Environmental**”), a subsidiary of the Group, obtained new and high-technology enterprise recognition in November 2022 and renewed it in December 2025 and is entitled to a preferential income tax rate of 15% (2024:15%) in year 2025. 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% (2024: 18.5%) for the years ended 31 December 2025.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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 2025, income tax was provided at rates ranging from 2.65% to 4% (2024: 2.65% to 4%) on the revenue from construction services and income tax of 20% (2024: 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% (2024: 24%) for the year ended 31 December 2025.

**(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 2025.

**(ix) Cambodia income tax**

One of the Company's subsidiaries incorporated in Cambodia is subject to Cambodia income tax. The applicable Cambodia income tax rate is 20% for the year ended 31 December 2025.

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:

	<b>Year ended 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Profit/(loss) before income tax	<b>54,356</b>	(68,045)
Tax calculated at the respective applicable income tax rates	<b>18,477</b>	(11,823)
Expenses not deductible for tax purpose	<b>413</b>	469
Super deduction of research and development expenses	<b>(1,493)</b>	(2,368)
Temporary differences for which no deferred tax asset was recognised	<b>1,905</b>	8,763
Use of temporary differences for which no deferred tax asset was recognised	<b>(48)</b>	—
Tax losses for which no deferred tax asset was recognised	<b>2,003</b>	1,383
Adjustments for current income tax of prior periods	<b>—</b>	4,780
<b>Tax charge</b>	<b>21,257</b>	1,204

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**11 INCOME TAX EXPENSE** (Continued)

During the years ended 31 December 2025 and 2024, no dividend withholding tax for companies in the PRC, Indonesia and Malaysia was provided. Unremitted earnings on which deferred income tax liabilities have not been recognised totalled RMB 268,717,000 as at 31 December 2025 (31 December 2024: RMB 45,786,000) 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 2025 and 2024.

**12 BASIC AND DILUTED EARNINGS/(LOSSES) PER SHARE****(a) Basic earnings per share**

The calculation of the basic earnings/(losses) per share is based on the profit/(loss) 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 2025 and 2024.

	<b>Year ended 31 December</b>	
	<b>2025</b>	2024
Profit/(loss) attributable to the Shareholders of the Company (RMB'000)	<b>33,099</b>	(69,249)
Weighted average number of ordinary shares in issue (thousands)	<b>819,008</b>	819,008
Total basic earnings/(losses) per share attributable to the ordinary equity holders of the Group (RMB cents)	<b>4.04</b>	(8.46)

**(b) Diluted earnings/(losses) per share**

Diluted earnings/(losses) per share is of the same amount as the basic earnings/(losses) per share as there was no potentially dilutive ordinary share outstanding as at 31 December 2025 and 2024.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 13 SUBSIDIARIES

As at 31 December 2025, 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
<b>Direct:</b>					
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 ("BNS") 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
<b>Indirect:</b>					
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. (" <b>Shanghai Xingning</b> ")	PRC, limited liability company	14 December 2017	RMB120,000,000	100%	Investment holding, PRC
Third Harbor Maritime <sup>(i)</sup>	PRC, limited liability company	14 August 2017	RMB120,000,000	100%	Provision of engineering and 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
Watts Gallop Construction Engineering Group Co., Ltd. (" <b>Watts Gallop Construction</b> ") <sup>(ii)</sup>	PRC, limited liability company	10 December 1999	RMB130,500,000	100%	Provision of Municipal Public construction services, PRC

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 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
<b>Indirect:</b>					
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 <sup>(iii)</sup>	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. (" <b>Watts Zhihe</b> ") <sup>(iv)</sup>	PRC, limited liability company	26 November 2021	RMB500,000	100%	Provision of consulting services, PRC
Shanghai Third Harbor Benteng Maritime Engineering Malaysia Sdn. Bhd.	Malaysia, limited liability company	15 November 2022	Malaysian Ringgit (" <b>MYR</b> ") 1,000,000	100%	Provision of engineering and construction services, Malaysia
Shanghai Fangyun Industrial Co., Ltd. (" <b>Shanghai Fangyun</b> ") <sup>(v)</sup>	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. (" <b>Wuyuan Huazi</b> ") <sup>(vi)</sup>	PRC, limited liability company	8 October 2024	—	100%	Provision of Municipal Public construction services, PRC
Royal Karry Trading Company Limited.	HK, limited liability company	28 April 2025	HK\$100,000	100%	Investment holding, HK
Shanghai Third Harbor Benteng Maritime (Cambodia) Co., Ltd. (" <b>Third Harbor Cambodia</b> ") <sup>(vii)</sup>	Cambodia, limited liability company	9 December 2025	—	100%	Provision of engineering and construction services, Cambodia
Watts Zhihe (Shanghai) Commercial Management Co., Ltd. (" <b>Watts Zhihe Commercial</b> ") <sup>(viii)</sup>	PRC, limited liability company	27 November 2025	RMB5,000,000	100%	Commercial management 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 2025.
- (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 2025.
- (iii) The issued capital of Watts Environmental is RMB50,000,000, of which RMB40,000,000 has not been paid as at 31 December 2025.
- (iv) The issued capital of Watts Zhihe is RMB10,000,000, of which RMB9,500,000 has not been paid as at 31 December 2025.
- (v) The issued capital of Shanghai Fangyun is RMB5,000,000, which has not been paid as at 31 December 2025.
- (vi) The issued capital of Wuyuan Huazi is RMB200,000, which has not been paid as at 31 December 2025.
- (vii) The issued capital of Third Harbor Cambodia is KHR 400,000,000, which has not been paid as at 31 December 2025.
- (viii) The issued capital of Watts Zhihe Commercial is RMB5,000,000, of which RMB2,177,080 has not been paid as at 31 December 2025.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**14 PROPERTY, PLANT AND EQUIPMENT**

	Industrial machinery and equipment <i>RMB'000</i>	Transport equipment <i>RMB'000</i>	Buildings <i>RMB'000</i>	Office supplies and electronic equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction- in-progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 1 January 2024</b>							
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
<b>Year ended 31 December 2024</b>							
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 ( <i>Note 8</i> )	(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
<b>At 31 December 2024</b>							
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)
<b>Net book amount</b>	<b>38,573</b>	<b>384</b>	<b>5,658</b>	<b>2,184</b>	<b>8,140</b>	<b>—</b>	<b>54,939</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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
<b>Year ended 31 December 2025</b>							
Opening net book amount	38,573	384	5,658	2,184	8,140	—	54,939
Additions	10,637	—	—	55	2,508	1,927	15,127
Depreciation charge (Note 8)	(7,542)	(150)	(883)	(1,859)	(1,516)	—	(11,950)
Disposals	—	—	—	—	397	—	397
Currency translation differences	(10)	—	—	25	—	—	15
<b>Closing net book amount</b>	<b>41,658</b>	<b>234</b>	<b>4,775</b>	<b>405</b>	<b>8,735</b>	<b>1,927</b>	<b>57,734</b>
<b>At 31 December 2025</b>							
Cost	180,850	13,956	15,475	11,341	14,554	1,927	238,103
Accumulated depreciation	(139,192)	(13,722)	(10,700)	(10,936)	(5,819)	—	(180,369)
<b>Net book amount</b>	<b>41,658</b>	<b>234</b>	<b>4,775</b>	<b>405</b>	<b>8,735</b>	<b>1,927</b>	<b>57,734</b>

During the years ended 31 December 2025 and 2024, the amounts of depreciation expenses charged to the consolidated statement of comprehensive income are as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Cost of sales	7,851	8,588
Selling and distribution expenses	8	16
Administrative expenses	4,091	4,769
Other operating expenses	—	59
	<b>11,950</b>	<b>13,432</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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	
	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>Opening net book amount</b>	<b>9,982</b>	16,735
Disposal	<b>(2,893)</b>	(3,066)
Impairment	<b>659</b>	(3,252)
Depreciation ( <i>Note 8</i> )	<b>(386)</b>	(435)
<b>Closing net book amount</b>	<b>7,362</b>	9,982

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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
<b>Year ended 31 December 2024</b>				
Opening net book amount	8,849	2,008	1,053	11,910
Depreciation charge ( <i>Note 8</i> )	(271)	(1,339)	(300)	(1,910)
Disposals	—	—	(431)	(431)
<b>Closing net book amount</b>	<b>8,578</b>	<b>669</b>	<b>322</b>	<b>9,569</b>
<b>At 31 December 2024</b>				
Cost	11,875	4,596	4,777	21,248
Accumulated depreciation	(3,297)	(3,927)	(4,455)	(11,679)
<b>Net book amount</b>	<b>8,578</b>	<b>669</b>	<b>322</b>	<b>9,569</b>
<b>Year ended 31 December 2025</b>				
Opening net book amount	<b>8,578</b>	<b>669</b>	<b>322</b>	<b>9,569</b>
Depreciation charge ( <i>Note 8</i> )	<b>(265)</b>	<b>(669)</b>	<b>(262)</b>	<b>(1,196)</b>
<b>Closing net book amount</b>	<b>8,313</b>	<b>—</b>	<b>60</b>	<b>8,373</b>
<b>At 31 December 2025</b>				
Cost	<b>11,875</b>	<b>4,596</b>	<b>4,777</b>	<b>21,248</b>
Accumulated depreciation	<b>(3,562)</b>	<b>(4,596)</b>	<b>(4,717)</b>	<b>(12,875)</b>
<b>Net book amount</b>	<b>8,313</b>	<b>—</b>	<b>60</b>	<b>8,373</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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:

	<b>Year ended 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>Depreciation charge of right-of-use assets</b>		
Cost of sales	936	1,339
Administrative expenses	260	300
Other operating expenses	—	271
	<b>1,196</b>	1,910

**(b) Lease liabilities**

The balance sheet shows the following lease liabilities:

	<b>As at 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Current	65	272
Non-current	—	65
	<b>65</b>	337

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

	<b>Year ended 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Interest expense (included in finance cost)	10	62
Expense relating to short-term leases (included in cost of sales)	58,546	36,480
	<b>58,556</b>	36,542

During the year ended 31 December 2025, the total cash outflow for leases was approximately RMB58,828,000 (2024: RMB40,174,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 17 INTANGIBLE ASSETS

	Licences RMB'000	Computer software RMB'000	Total RMB'000
<b>At 1 January 2024</b>			
Cost	100	1,544	1,644
Accumulated amortisation	(100)	(1,474)	(1,574)
<b>Net book amount</b>	<b>—</b>	<b>70</b>	<b>70</b>
<b>Year ended 31 December 2024</b>			
Opening net book amount	—	70	70
Amortisation charge	—	(27)	(27)
<b>Closing net book amount</b>	<b>—</b>	<b>43</b>	<b>43</b>
<b>At 31 December 2024</b>			
Cost	—	945	945
Accumulated amortisation	—	(902)	(902)
<b>Net book amount</b>	<b>—</b>	<b>43</b>	<b>43</b>
<b>Year ended 31 December 2025</b>			
Opening net book amount	—	43	43
Amortisation charge	—	(11)	(11)
<b>Closing net book amount</b>	<b>—</b>	<b>32</b>	<b>32</b>
<b>At 31 December 2025</b>			
Cost	—	945	945
Accumulated amortisation	—	(913)	(913)
<b>Net book amount</b>	<b>—</b>	<b>32</b>	<b>32</b>

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**18 FINANCIAL INSTRUMENTS BY CATEGORY**

The Group holds the following financial instruments:

	<b>As at 31 December</b>	
	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
<b>Financial assets</b>		
Financial assets at amortised cost		
— Trade and other receivables excluding prepayments and prepaid taxation	<b>1,748,766</b>	1,729,961
— Restricted cash ( <i>Note 22</i> )	<b>176,315</b>	144,744
— Cash and cash equivalents ( <i>Note 22</i> )	<b>438,171</b>	342,658
Financial assets at fair value through other comprehensive income ( <i>Note 19</i> )	<b>3,388</b>	4,098
<b>Total</b>	<b>2,366,640</b>	2,221,461
<b>Financial liabilities</b>		
Liabilities at amortised cost		
— Borrowings ( <i>Note 28</i> )	<b>387,373</b>	280,498
— Trade and other payables excluding payroll and social security and other tax liabilities	<b>2,128,049</b>	2,119,252
— Lease liabilities ( <i>Note 16</i> )	<b>65</b>	337
<b>Total</b>	<b>2,515,487</b>	2,400,087

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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:

	<b>As at 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>Non-current assets</b>		
Listed securities	<b>3,388</b>	4,098
Unlisted securities	—	—
	<b>3,388</b>	4,098

As at 31 December 2025, the fair value of the financial assets at FVOCI is approximately RMB3,388,000 (2024: RMB4,098,000). The changes of fair value of these financial assets are recorded within the other reserve in consolidated financial statements.

**20 INVENTORIES**

	<b>As at 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Raw materials	<b>5,593</b>	6,383

Inventories recognised as an expense during the year ended 31 December 2025 amounted to RMB928,764,000 (2024: RMB835,336,000) (Note 8), of which included in cost of sales amounted to RMB909,159,000 (2024: RMB818,802,000) and included in administrative expenses amounted to RMB19,605,000 (2024: RMB16,534,000). There were no provision for or reversal of write-down of inventories during the years ended 31 December 2025 and 2024.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 21 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Trade receivables (i)	1,231,529	1,274,771
Bills receivables	78,117	64,551
Trade and bills receivables	1,309,646	1,339,322
Less: allowance for impairment of trade receivables (v)	(173,448)	(148,350)
Trade and bills receivables — net	1,136,198	1,190,972
Retention receivables (ii)	342,559	299,988
Less: allowance for impairment of retention receivables (v)	(54,571)	(36,678)
Retention receivables — net	287,988	263,310
Long-term trade receivables (iii)	61,373	45,491
Less: allowance for impairment of long-term trade receivables (v)	(3,142)	(3,315)
Long-term trade receivables-net	58,231	42,176
Other receivables (iv)	266,349	233,503
Prepayments	280,896	163,364
Prepaid taxation	1,220	4,588
<b>Total</b>	<b>2,030,882</b>	<b>1,897,913</b>
<b>Less: non-current portion</b>		
Retention receivables (ii)	(73,766)	(41,974)
Long-term trade receivables (iii)	(28,055)	(38,201)
Other receivables (iv)	(26,101)	(16,380)
	(127,922)	(96,555)
<b>Current portion</b>	<b>1,902,960</b>	<b>1,801,358</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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 2025, bills receivables with a total net book amount of RMB10,073,000 (2024: RMB20,208,000) were pledged as collateral for the Group's bank borrowings (Note 28).

As at 31 December 2025 and 2024, the ageing analysis of the trade and bills receivables based on the payment requests acknowledged by the customers is as follows:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	<i>RMB'000</i>
Within 3 months	<b>541,387</b>	453,014
4 to 6 months	<b>188,588</b>	120,402
7 to 12 months	<b>152,575</b>	277,609
1 to 2 years	<b>162,866</b>	174,615
2 to 3 years	<b>86,813</b>	120,472
Over 3 years	<b>177,417</b>	193,210
	<b>1,309,646</b>	1,339,322

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	<i>RMB'000</i>
Within 1 year	<b>102,431</b>	62,586
1 to 2 years	<b>49,911</b>	60,021
2 to 3 years	<b>44,765</b>	12,528
3 to 4 years	<b>10,352</b>	70,615
4 to 5 years	<b>69,642</b>	24,608
Over 5 years	<b>65,458</b>	69,630
	<b>342,559</b>	299,988

**(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 2025, the Group pledged certain long-term trade receivables with carrying amount of approximately RMB40,830,000 (2024: RMB42,176,000) for the long-term bank borrowings due within one year amounted to RMB4,500,000 (2024: RMB9,500,000) as disclosed in Note 28(ii).

**(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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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:

	<b>As at 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
RMB	<b>1,896,749</b>	1,713,248
US\$	<b>642</b>	80,420
IDR	<b>65,711</b>	119,872
MYR	<b>13,644</b>	69
HK\$	<b>2,115</b>	3,082
BN\$	<b>1,066</b>	1,613
	<b>1,979,927</b>	1,918,304

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**22 TIME DEPOSITS, RESTRICTED CASH AND CASH AND CASH EQUIVALENTS**

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Cash on hand	597	604
Cash at bank	613,889	486,798
	614,486	487,402
Less: Restricted cash (i)	(176,315)	(144,744)
	438,171	342,658

## (i) Restricted cash

The restricted cash represents the following balances:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Restricted cash for project expenditure	105,135	62,799
Deposits for wages of migrant labours	69,937	78,528
Restricted cash for litigation	1,216	3,390
Deposits for issuing letter of guarantee	27	27
	176,315	144,744

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

	As at 31 December	
	2025 RMB'000	2024 RMB'000
RMB	588,195	453,095
US\$	12,178	9,551
IDR	11,090	19,406
HK\$	1,271	775
BN\$	860	1,269
Saudi Riyal ("SAR")	619	639
SGD	273	—
MYR	—	2,667
	614,486	487,402

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**23 SHARE CAPITAL AND PREMIUM**

	Number of ordinary shares	Amount		
		Equivalent nominal value of ordinary share RMB'000	Share premium RMB'000	Total RMB'000
Authorised:				
At 1 January 2024, 31 December 2024 and 2025	10,000,000,000	88,498	—	88,498
Issued:				
<b>Balance as at 1 January 2024</b>	825,400,000	7,303	273,074	280,377
Dividends ( <i>Note 30</i> )	—	—	(7,630)	(7,630)
<b>Balance as at 31 December 2024</b>	825,400,000	7,303	265,444	272,747
Dividends ( <i>Note 30</i> )	—	—	—	—
<b>Balance as at 31 December 2025</b>	<b>825,400,000</b>	<b>7,303</b>	<b>265,444</b>	<b>272,747</b>

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 2025 and 2024.

**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 (i) existing Shares to be acquired by a trustee (the “**Trustee**”) on the market, and/or (ii) new shares to be allotted and issued to the Trustee. 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 2025 and 2024.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 25 OTHER RESERVES

	Other reserves				Total RMB'000
	Statutory reserve RMB'000 Note (a)	Merge reserve RMB'000	Financial assets at FVOCI RMB'000	Exchange reserve RMB'000 Note (b)	
<b>Balance as at 1 January 2024</b>	51,870	(19,051)	5,003	(6,768)	31,054
Currency translation differences (a)	—	—	—	418	418
Revaluation (b)	—	—	25,162	—	25,162
Income tax relating to these items	—	—	(3,877)	—	(3,877)
Transfer to retained earnings	—	—	(29,936)	—	(29,936)
<b>Balance as at 31 December 2024</b>	51,870	(19,051)	(3,648)	(6,350)	22,821
<b>Balance as at 1 January 2025</b>	<b>51,870</b>	<b>(19,051)</b>	<b>(3,648)</b>	<b>(6,350)</b>	<b>22,821</b>
Currency translation differences (a)	—	—	—	(5,407)	(5,407)
Revaluation (b)	—	—	(710)	—	(710)
<b>Balance as at 31 December 2025</b>	<b>51,870</b>	<b>(19,051)</b>	<b>(4,358)</b>	<b>(11,757)</b>	<b>16,704</b>

(a) 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.

(b) 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**26 RETAINED EARNINGS**

	<b>Year ended 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
At beginning of year	<b>406,109</b>	445,422
Profit/(loss) for the year	<b>33,099</b>	(69,249)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings, net of tax ( <i>Note 19</i> )	<b>—</b>	29,936
At end of year	<b>439,208</b>	406,109

**27 TRADE AND OTHER PAYABLES**

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Trade payables ( <i>i</i> )	<b>1,514,088</b>	1,543,705
Bills payables ( <i>i</i> )	<b>—</b>	21,000
Retention payables ( <i>ii</i> )	<b>134,402</b>	219,016
Long-term payables ( <i>iii</i> )	<b>290,185</b>	184,725
Other payables ( <i>iv</i> )	<b>189,374</b>	150,806
Payroll and social security	<b>24,875</b>	20,635
Other tax liabilities excluding income tax liabilities	<b>111,909</b>	137,671
	<b>2,264,833</b>	2,277,558
<b>Less: non-current portion</b>		
Retention payables ( <i>ii</i> )	<b>(12,942)</b>	(98,168)
Long-term payables ( <i>iii</i> )	<b>(85,635)</b>	(49,425)
Other payables ( <i>iv</i> )	<b>(19,572)</b>	(20,248)
	<b>(118,149)</b>	(167,841)
<b>Current portion</b>	<b>2,146,684</b>	2,109,717

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**27 TRADE AND OTHER PAYABLES** (Continued)

- (i) As at 31 December 2025 and 2024, the ageing analysis of the trade and bills payables based on the payment requests or demand notes is as follows:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	<i>RMB'000</i>
Within 3 months	<b>415,230</b>	265,693
4 to 6 months	<b>181,758</b>	267,195
7 to 12 months	<b>257,121</b>	318,465
1 to 2 years	<b>193,018</b>	291,577
2 to 3 years	<b>184,584</b>	131,263
Over 3 years	<b>282,377</b>	290,512
	<b>1,514,088</b>	1,564,705

The Group's trade and bills 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 last 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:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	<i>RMB'000</i>
Within 1 year	<b>14,797</b>	18,570
1 to 5 years	<b>109,712</b>	190,604
Over 5 years	<b>9,893</b>	9,842
	<b>134,402</b>	219,016

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	<i>RMB'000</i>
Within 1 year	<b>67,084</b>	39,073
1 to 5 years	<b>204,848</b>	127,399
Over 5 years	<b>18,253</b>	18,253
	<b>290,185</b>	184,725

- (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:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	<i>RMB'000</i>
— RMB	<b>1,917,199</b>	1,936,571
— IDR	<b>129,923</b>	85,334
— BND	<b>40,720</b>	45,870
— HKD	<b>35,184</b>	35,004
— USD	<b>3,287</b>	2,647
— MYR	<b>1,736</b>	13,826
	<b>2,128,049</b>	2,119,252

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 28 BORROWINGS

	As at 31 December	
	2025 RMB'000	2024 RMB'000
<b>Non-current</b>		
Long-term bank borrowings — Guaranteed (i)	80,000	—
Long-term bank borrowings — Secured (ii)	—	4,500
<b>Current</b>		
Short-term bank borrowings — Secured (iii)	10,073	20,208
Short-term bank borrowings — Guaranteed (iv)	237,500	155,990
Short-term bank borrowings — Unsecured (v)	55,300	94,800
Long-term bank borrowings due within one year — secured (ii)	4,500	5,000
	<b>387,373</b>	280,498

The Group's bank borrowings comprised:

- (i) As at 31 December 2025, long-term bank borrowings of RMB80,000,000 (2024: Nil) were supported by guarantees from related companies controlled by the ultimate controlling shareholder.
- (ii) As at 31 December 2025, the secured long-term bank borrowings of RMB4,500,000 (2024: RMB9,500,000) were secured by the pledge of long-term trade receivables carrying amount of approximately RMB40,830,000 (2024: RMB42,176,000) (Note 21), and guaranteed by Zhejiang Kexin Engineering Materials Co., Ltd. (“**Zhejiang Kexin**”), a third party.
- (iii) As at 31 December 2025, short-term borrowings of RMB10,073,000 (2024: RMB20,208,000) were secured by the pledged of the Group's bills receivables with net book amount of RMB10,073,000 (2024: RMB20,208,000) (Note 21).
- (iv) As at 31 December 2025, short-term borrowings totalling RMB237,500,000 (2024: RMB155,990,000) were supported by guarantees from related companies controlled by the ultimate controlling shareholder.
- (v) As at 31 December 2025, unsecured short-term borrowings of RMB55,300,000 (2024: RMB94,800,000) were supported by guarantee from a subsidiary of the Company.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**28 BORROWINGS** (Continued)

At 31 December 2025 and 2024, the Group's borrowings were repayable as follows:

	<b>As at 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 1 year	<b>307,373</b>	275,998
Between 1 and 2 years	—	4,500
Between 2 and 5 years	<b>80,000</b>	—
	<b>387,373</b>	280,498

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 2025 was 3.25% (2024: 3.65%) per annual.

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

	<b>As at 31 December</b>			
	<b>2025</b>		2024	
	<b>Carrying amount</b> <i>RMB'000</i>	<b>Fair value</b> <i>RMB'000</i>	Carrying amount <i>RMB'000</i>	Fair value <i>RMB'000</i>
<b>Non-current</b>				
Bank borrowings	<b>80,000</b>	<b>80,000</b>	4,500	4,537

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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:

	<b>As at 31 December</b>	
	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
Deferred tax assets:		
— Deferred tax assets to be recovered within 12 months	<b>2,036</b>	1,388
— Deferred tax assets to be recovered after more than 12 months	<b>41,349</b>	38,962
	<b>43,385</b>	40,350
Set-off of deferred tax liabilities pursuant to set-off provisions	<b>(3,259)</b>	(3,967)
<b>Net deferred tax assets</b>	<b>40,126</b>	36,383
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered within 12 months	<b>(325)</b>	(584)
— Deferred tax liabilities to be recovered after more than 12 months	<b>(6,225)</b>	(7,198)
	<b>(6,550)</b>	(7,782)
Set-off of deferred tax assets pursuant to set-off provisions	<b>3,259</b>	3,967
<b>Net deferred tax liabilities</b>	<b>(3,291)</b>	(3,815)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**29 DEFERRED INCOME TAX** (Continued)**(a) Deferred tax assets**

The movement in deferred tax assets and liabilities during the years ended 31 December 2025 and 2024, 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
<b>At 1 January 2024</b>	33,633	—	722	1,484	35,839
Credited/(charged) to profit or loss	4,169	—	(376)	718	4,511
<b>At 31 December 2024</b>	37,802	—	346	2,202	40,350
<b>At 1 January 2025</b>	<b>37,802</b>	<b>—</b>	<b>346</b>	<b>2,202</b>	<b>40,350</b>
Credited/(charged) to profit or loss	3,343	165	(346)	(127)	3,035
<b>At 31 December 2025</b>	<b>41,145</b>	<b>165</b>	<b>—</b>	<b>2,075</b>	<b>43,385</b>

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 2025 and 2024, the expiration of tax losses carried forward for which deferred income tax assets is not recognised is as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Tax losses within five years	19,845	9,229

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**29 DEFERRED INCOME TAX** (Continued)**(a) Deferred tax assets** (Continued)

As at 31 December 2025 and 2024, unrecognised temporary differences are as follows:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	<b>RMB'000</b>
Temporary difference for which no deferred tax asset or liability is recognised:		
— Allowance for impairment of financial assets and contract assets	<b>80,440</b>	57,729
— Accrued payroll	<b>1,088</b>	688
	<b>81,528</b>	58,417

**(b) Deferred tax liabilities**

	<b>Property, plant and equipment</b>	<b>Long-term payables</b>	<b>Right-of- use assets</b>	<b>Fair value change of FVOCI</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>At 1 January 2024</b>	(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
<b>At 31 December 2024</b>	(3,599)	(3,643)	(502)	—	(38)	(7,782)
<b>At 1 January 2025</b>	<b>(3,599)</b>	<b>(3,643)</b>	<b>(502)</b>	—	<b>(38)</b>	<b>(7,782)</b>
Credited/(charged) to profit or loss	<b>472</b>	<b>267</b>	<b>493</b>	—	—	<b>1,232</b>
<b>At 31 December 2025</b>	<b>(3,127)</b>	<b>(3,376)</b>	<b>(9)</b>	—	<b>(38)</b>	<b>(6,550)</b>

**30 DIVIDENDS**

The Board recommended the payment of a final dividend of HK\$1.11 cents (equivalent to approximately RMB1.00 cent) (2024: nil) per share, representing total amount of approximately HK\$9,161,940, equivalent to approximately RMB8,275,250).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**31 CASH GENERATED FROM OPERATIONS****(a) Reconciliation of profit before income tax to cash generated from operations**

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Profit/(Loss) before income tax	54,356	(68,045)
Adjustments for:		
— Depreciation of property, plant and equipment (Note 14)	11,950	13,432
— Depreciation of investment property (Note 15)	386	435
— Depreciation of right-of-use assets (Note 16)	1,196	1,910
— Amortisation of intangible assets (Note 17)	11	27
— (Gains)/losses on disposal of property, plant and equipment, and investment properties — net (Note 7)	(787)	240
— Dividend income from financial assets through other comprehensive income (Note 7)	(95)	(305)
— Provision for impairment of financial assets and contract assets (Note 3.1)	32,676	48,341
— Provision for impairment of Investment properties	—	3,252
— Finance costs — net (Note 10)	13,252	19,213
— Net foreign exchange losses/(gains)	5,539	(628)
Operating capital before working capital changes	118,484	17,872
Changes in working capital:		
— (Increase)/Decrease in restricted cash	(31,571)	16,276
— Decrease in inventories	790	4,699
— Decrease in contract assets	75,616	11,911
— Increase in contract liabilities	84,616	26,519
— Increase in trade and other receivables	(185,633)	(125,762)
— (Decrease)/increase in trade and other payables	(14,592)	51,391
<b>Cash generated from operations</b>	<b>47,710</b>	<b>2,906</b>

**(b) Non-cash investing and financing activities**

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Settlement of trade payables through investment properties (Note 15)	2,956	(3,066)
(Losses)/gains recognised in other comprehensive income related to equity Investments (Note 19)	(710)	(686)
	<b>3,666</b>	<b>(3,752)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**31 CASH GENERATED FROM OPERATIONS** (Continued)**(c) Proceeds from disposal of property, plant and equipment and other long term assets**

	<b>Year ended 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Net book amount for disposals of property, plant and equipment and other long term assets ( <i>Note 14</i> )	<b>2,631</b>	4,147
Net (losses)/gains on disposal of property, plant and equipment and other long term assets ( <i>Note 7</i> )	<b>787</b>	(240)
Settlement of trade payables through investment properties	<b>(2,956)</b>	—
Proceeds from disposal of property, plant and equipment and other long term assets	<b>462</b>	3,907

**(d) Reconciliation of liabilities arising from financing activities**

	<b>Liabilities from financing activities</b>				
	<b>Borrowings (Current)</b>	<b>Borrowings (Non-current)</b>	<b>Interest payable</b>	<b>Lease liabilities</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Net debt as at 1 January 2024	193,669	9,500	—	3,907	207,076
Finance charges for borrowings	—	—	10,313	—	10,313
Finance charges for lease liabilities	—	—	—	62	62
Non-cash changes reclassification	5,000	(5,000)	—	—	—
Cash flows	77,329	—	(10,313)	(3,632)	63,384
Net debt as at 31 December 2024	275,998	4,500	—	337	280,835
Finance charges for borrowings	—	—	11,006	—	11,006
Finance charges for lease liabilities	—	—	—	10	10
Non-cash changes reclassification	4,500	(4,500)	—	—	—
Cash flows	26,875	80,000	(11,006)	(282)	95,587
Net debt as at 31 December 2025	<b>307,373</b>	<b>80,000</b>	—	<b>65</b>	<b>387,438</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 32 COMMITMENTS

#### (a) Capital commitments

As at 31 December 2025 and 2024, 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:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
No later than 1 year	<b>881</b>	866
Later than 1 year and no later than 2 years	<b>135</b>	129
	<b>1,016</b>	995

### 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 2025 and 2024, and balances arising from related party transactions as at the respective balance sheet dates.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**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 2025 and 2024, the following transactions were carried out with related parties at terms mutually agreed by the underlying parties:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
<b>(i) Provision of construction services (i)</b>		
— Subsidiaries of Watts Gallop Real Estate	<b>103,138</b>	49,923
— Subsidiaries of Watts Gallop	<b>6,394</b>	15,197
— Associates of Watts Gallop	<b>2,506</b>	779
— Watts Gallop Real Estate	<b>—</b>	11,943
	<b>112,038</b>	77,842
<b>(ii) Purchases of goods and services (i)</b>		
— Subsidiaries of Watts Gallop	<b>3,929</b>	6,919
— Associates of Watts Gallop	<b>—</b>	353
— Subsidiary of Watts Gallop Real Estate	<b>—</b>	2
	<b>3,929</b>	7,274
<b>(iii) Rental expenses</b>		
— Subsidiaries of Watts Gallop	<b>2,114</b>	2,365
<b>(iv) Property service expenses</b>		
— Subsidiaries of Watts Gallop	<b>186</b>	859

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**33 RELATED PARTY TRANSACTIONS** (Continued)**(a) Transactions with related parties** (Continued)

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
<b>(v) Hotel service expenses</b>		
— Subsidiaries of Watts Gallop	<b>377</b>	943

**(vi) 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	
	2025 RMB'000	2024 RMB'000
Salaries, wages and allowances	<b>3,165</b>	3,083
Bonuses	<b>1,515</b>	1,682
Pension costs	<b>148</b>	161
	<b>4,828</b>	4,926

- (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 2025 and 2024.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**33 RELATED PARTY TRANSACTIONS** (Continued)**(b) Balances with related parties****(i) Amounts due from related parties**

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Trade and other receivables		
— Subsidiaries of Watts Gallop Real Estate	<b>208,423</b>	159,625
— Subsidiaries of Watts Gallop	<b>86,119</b>	99,672
— Associates of Watts Gallop	<b>14,903</b>	9,790
— Watts Gallop	<b>5,000</b>	5,000
	<b>314,445</b>	274,087

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Contract assets		
— Subsidiary of Watts Gallop Real Estate	<b>82,671</b>	107,784
— Watts Gallop Real Estate	<b>7,741</b>	9,418
— Subsidiary of Watts Gallop	<b>1,962</b>	1,059
	<b>92,374</b>	118,261

**(ii) Amounts due to related parties**

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Trade and other payables		
— Subsidiaries of Watts Gallop	<b>9,567</b>	8,698
— Watts Gallop	<b>7,986</b>	7,988
— Associates of Watts Gallop	<b>360</b>	460
— Watts Gallop Real Estate	<b>2</b>	—
	<b>17,915</b>	17,146

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**33 RELATED PARTY TRANSACTIONS** (Continued)**(c) Guarantees**

As at 31 December 2025 and 2024, the Group's banking facilities were guaranteed by related parties as follows:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	<i>RMB'000</i>
— Watts Gallop	<b>670,000</b>	595,000
— Subsidiaries of Watts Gallop	<b>156,455</b>	201,455
— Watts Gallop Real Estate	<b>129,920</b>	86,750
— Associates of Watts Gallop	<b>25,000</b>	—
	<b>981,375</b>	883,205

**34 CONTINGENCIES**

As at 31 December 2025, 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY****(a) Statement of financial position of the Company**

	<b>As at 31 December</b>	
	<b>2025</b> <i>RMB'000</i>	<b>2024</b> <i>RMB'000</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in subsidiaries	<b>189,418</b>	189,418
<b>Current assets</b>		
Amount due from subsidiaries	<b>187,035</b>	189,126
Cash and cash equivalents	<b>248</b>	271
<b>Total assets</b>	<b>376,701</b>	378,815
<b>EQUITY</b>		
<b>Capital</b>		
Share capital	<b>7,303</b>	7,303
Share premium	<b>265,444</b>	265,444
Shares held for employee share scheme	<b>(4,756)</b>	(4,756)
Capital reserve	<b>65,859</b>	65,859
Accumulated losses	<b>(13,190)</b>	(9,861)
<b>Total equity</b>	<b>320,660</b>	323,989
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	<b>50</b>	50
Amounts due to subsidiaries	<b>55,991</b>	54,776
<b>Total liabilities</b>	<b>56,041</b>	54,826
<b>Total equity and liabilities</b>	<b>376,701</b>	378,815

The statement of financial position of the Company was approved by the Board of Directors on 26 March 2026 and was signed on its behalf.

---

 Director

---

 Director

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY** (Continued)**(b) Reserve movement of the Company**

	Accumulated losses RMB'000	Capital reserve RMB'000
<b>1 January 2024</b>	(7,340)	65,859
Loss for the year	(2,521)	—
<b>At 31 December 2024</b>	(9,861)	65,859
Loss for the year	<b>(3,329)</b>	—
<b>At 31 December 2025</b>	<b>(13,190)</b>	<b>65,859</b>

**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 2025					
<b>Executive directors</b>					
Mr. Wang Xiuchun ( <i>Chairman</i> )	—	545	497	39	1,081
Ms. Wan Yun ( <i>CEO</i> )	—	558	677	51	1,286
Mr. Wang Lijiang	—	181	—	—	181
Mr. Wang Likai	—	350	—	—	350
Ms. Wang Lifang	—	248	144	10	402
<b>Non-executive directors</b>					
Mr. Wang Shizhong	—	—	—	—	—
<b>Independent non-executive directors</b>					
Mr. Sun Dajian	181	—	—	—	181
Mr. How Sze Ming	181	—	—	—	181
Mr. Wang Hongwei	181	—	—	—	181
	<b>543</b>	<b>1,634</b>	<b>1,174</b>	<b>90</b>	<b>3,441</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**36 BENEFITS AND INTERESTS OF DIRECTORS** (Continued)**(a) Directors and chief executive emoluments** (Continued)

<b>Name</b>	Fees <i>RMB'000</i>	Salaries, housing allowance and other allowances <i>RMB'000</i>	Bonuses <i>RMB'000</i>	Contribution to pension scheme <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2024					
<b>Executive directors</b>					
Mr. Wang Xiuchun ( <i>Chairman</i> )	—	543	499	39	1,081
Ms. Wan Yun ( <i>CEO</i> )	—	556	699	50	1,305
Mr. Wang Lijiang	—	292	—	15	307
Mr. Wang Likai	—	350	—	—	350
<b>Non-executive directors</b>					
Mr. Wang Shizhong	—	—	—	—	—
<b>Independent non-executive directors</b>					
Mr. Sun Dajian	185	—	—	—	185
Mr. How Sze Ming	185	—	—	—	185
Mr. Wang Hongwei	185	—	—	—	185
	<u>555</u>	<u>1,741</u>	<u>1,198</u>	<u>104</u>	<u>3,598</u>

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 2025 and 2024.

**(b) Directors' retirement benefit**

There were no retirement benefits paid to any director for the years ended 31 December 2025 and 2024.

**(c) Directors' termination benefits**

There were no termination benefits paid to any director for the years ended 31 December 2025 and 2024.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 36 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

**(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 2025 and 2024.

**(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 2025 and 2024.

**(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 2025 and 2024.

### 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.

#### 37.2 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

### 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".

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

#### 37.4 Foreign currency translation (Continued)

##### (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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

### 37.5 Property, plant and equipment *(Continued)*

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.

### 37.7 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

#### 37.7 Intangible assets (Continued)

##### (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.

#### 37.9 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.

## 37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

### 37.9 Financial assets *(Continued)*

#### **(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.

#### *(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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

#### 37.16 Borrowings (Continued)

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.

#### 37.17 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

**37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES** (Continued)**37.18 Current and deferred income tax** (Continued)**(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 deductible 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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

#### 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.

###### *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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 37.19 Employee benefits (Continued)

#### (b) Post-employment obligations (Continued)

*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 2025 and 2024, 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

#### 37.22 Leases (Continued)

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.

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 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 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

(RMB in million)	Year ended 31 December				
	2025	2024	2023	2022	2021
Revenue	<b>1,880</b>	1,534	2,144	2,076	2,263
Gross profit	<b>182</b>	99	174	171	208
Profit before income tax	<b>54</b>	(68)	51	40	58
Income tax expense	<b>(21)</b>	(1)	(20)	(13)	(11)
Profit for the year	<b>33</b>	(69)	31	27	47

(RMB in million)	Year ended 31 December				
	2025	2024	2023	2022	2021
Non-current assets	<b>616</b>	680	615	791	814
Current assets	<b>2,928</b>	2,667	2,624	2,650	2,522
Total assets	<b>3,544</b>	3,347	3,239	3,441	3,336
Non-current liabilities	<b>201</b>	176	209	234	283
Current liabilities	<b>2,619</b>	2,474	2,278	2,476	2,350
Total liabilities	<b>2,820</b>	2,650	2,487	2,710	2,633
Total equity	<b>724</b>	697	752	731	703

2026 AGM	the forthcoming annual general meeting of the Company to be held on Thursday, 25 June 2026
Acting-in-concert Confirmation	the acting-in-concert confirmation dated 22 August 2004 entered into among Mr. Wang Shizhong, 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 Cambodia	Shanghai Third Harbor Benteng Maritime Maritime (Cambodia) Co., Ltd., a company incorporated under the laws of Cambodia with limited liability on 9 December 2025, which is an operating entity of the Company in Cambodia
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
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

## Definitions

Group, we, our or us	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 are listed and dealings in the Shares are 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
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
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 2025 to 31 December 2025
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
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 or Hong Kong 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 the United States of America

## 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