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瑞港建設控股有限公司
PROSPER CONSTRUCTION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6816)

MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF 34.00% EQUITY INTEREST IN
QINGDAO HONGHAI CURTAIN WALL CO., LTD.*

THE ACQUISITION

The Board is pleased to announce that on 16 November 2020 (after trading hours), the Purchaser, an indirect non-wholly owned subsidiary of the Company, the Vendor and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interest representing 34.00% equity interest in the Target Company at the Consideration of RMB49,898,000 (equivalent to approximately HK\$54,887,800).

Immediately before the Completion, the Target Company is owned as to approximately 82.80% and 17.20% by the Vendor and an Independent Third Party, respectively, and upon Completion, the Target Company will be owned as to 34.00% and approximately 48.80% and 17.20% by the Purchaser, the Vendor and the Independent Third Party, respectively. Pursuant to the Sale and Purchase Agreement, the Purchaser is entitled to appoint a majority number of directors of the Target Company and will be able to control the management and operation of the Target Company. Accordingly, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results, assets and liabilities will be consolidated into the accounts of the Group upon Completion.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company, and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and is required to abstain from voting if the Company was to convene an extraordinary general meeting for approval of the Acquisition. In accordance with Rule 14.44 of the Listing Rules, in lieu of holding a general meeting for approving the Acquisition, the Company will obtain an irrevocable and unconditional written approval for the Acquisition from 青島西海岸控股(國際)有限公司 (Qingdao West Coast Holdings (Internation) Limited*), which holds 498,000,000 Shares, representing approximately 62.25% of the total issued Shares as at the date of this announcement.

GENERAL

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among others, further details of the Sale and Purchase Agreement and the Acquisition is required to be despatched to the Shareholders in accordance with the Listing Rules within 15 business days after publication of this announcement. As it is expected that additional time will be required to prepare the relevant information to be included in the circular, the Company will apply for a waiver from strict compliance with Rule 14.41 (a) of the Listing Rules.

Shareholders and potential investors of the Company should be aware that the Acquisition is subject to certain conditions being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

Reference is made to the announcement of the Company dated 22 September 2020 in relation to the Acquisition. Further to the memorandum of understanding entered into between the Purchaser and the Vendor, the terms of which have been disclosed in the announcement dated 22 September 2020, the Board is pleased to announce that on 16 November 2020 (after trading hours), the Purchaser, an indirect non-wholly owned subsidiary of the Company, the Vendor and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interest representing 34.00% equity interest in the Target Company at the Consideration of RMB49,898,000 (equivalent to approximately HK\$54,887,800).

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

16 November 2020 (after trading hours)

Parties

- (i) the Purchaser;
- (ii) the Vendor; and
- (iii) the Target Company

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Immediately before the Completion, the Target Company is owned as to approximately 82.80% and 17.20% by the Vendor and an Independent Third Party, respectively, and upon Completion, the Target Company will be owned as to 34.00% and approximately 48.80% and 17.20% by the Purchaser, the Vendor and the Independent Third Party, respectively. Pursuant to the Sale and Purchase Agreement, the Purchaser is entitled to appoint a majority number of directors of the Target Company and will be able to control the management and operation of the Target Company. Accordingly, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results, assets and liabilities will be consolidated into the accounts of the Group upon Completion.

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration shall be RMB49,898,000 (equivalent to approximately HK\$54,887,800) which shall be settled by the Purchaser in cash within seven days after the date of the Completion.

The Group currently expects to finance the Consideration by internal resources.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser after considering the following factors: (i) the unaudited consolidated net profits after tax of the Target Company for the year ended 31 December 2019; (ii) the preliminary valuation of the Target Company is greater than RMB160,000,000 as at 31 August 2020 based on the market approach compiled by an independent valuer; (iii) the grade three professional contractor in steel structure construction works qualification, grade one professional contractor in curtain wall construction works qualification and

grade one engineering design for curtain wall projects qualification obtained by the Target Company; (iv) the future business prospects of the Target Company; and (v) the factors as set out in the section headed “Reasons for and Benefits of the Acquisition”.

Conditions precedent

Completion shall be subject to and conditional upon the fulfillment (or waiver, if applicable) of the following conditions:

1. all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained, including the approval from its board of directors and shareholders;
2. all necessary consents and approvals to be obtained on the part of the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and the obtaining of the approval from the Stock Exchange (if required);
3. all necessary consents and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained, including the approval from the board of directors and the shareholders of the Target Company;
4. the irrevocable and unconditional waiver of the existing shareholder of the Target Company (other than the Vendor) of any and all rights of pre-emption over or in respect of the sale or transfer of the Sale Interest to the Purchaser having been obtained;
5. the existing shareholders of the Target Company having confirmed the shareholding structure of the Target Company before the Completion;
6. the Vendor has entered into a supplementary agreement with the remaining shareholder of the Target Company on all matters concerning the remaining shareholder in relation to the Target Company in connection with the transactions contemplated under the Sale and Purchase Agreement, in the form satisfactory to the Purchaser; and
7. all representations, warranties and undertakings given by the Vendor remaining true, accurate and not misleading in all material aspects from the date of the Sale and Purchase Agreement until the date of Completion.

Completion

Completion is subject to the fulfilment or waiver by the Purchaser and the Vendor (as the case may be and to the extent waivable) of all the above conditions precedents and shall take place after completion of the relevant industrial and commercial registration procedures and obtaining of the new business licence of the Target Company.

INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries provide marine construction services, auxiliary marine related services and general construction contracting services.

The Purchaser, namely 青島東捷建設工程有限公司 (Qingdao Dongjie Construction Engineering Co., Ltd.*), was established in the PRC and is an indirect non-wholly owned subsidiary of the Company. The Purchaser is principally engaged in general contracting of building construction, building foundation, garden greening project, garden landscape project, cultural relic protection project, real estate development business, building materials wholesale, building demolition activities, pipeline engineering (excluding pressure piping), road construction, water conservancy and hydropower project construction, power engineering construction, municipal utilities engineering construction, mechanical and electrical engineering construction, lifting equipment installation project, fire control facilities engineering, waterproof anti-corrosion insulation works, steel structure engineering, and building mechanical and electrical installation.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC and is principally engaged in design and implementation of construction and decoration works, design, production and installation of curtain walls, doors and windows, steel structure works, landscaping and municipal construction. The Target Company has obtained grade three professional contractor in steel structure construction works qualification, grade one professional contractor in curtain wall construction works qualification, grade one engineering design for curtain wall projects qualification and grade two engineering design for curtain wall projects qualification.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Based on the financial information of the Target Company provided by the Vendor, the unaudited consolidated net asset value of the Target Group as of 31 August 2020 was approximately RMB71,416,000 (equivalent to approximately HK\$78,558,000). Further financial information of the Target Company is set out below:

	For the year ended 31 December 2018	For the year ended 31 December 2019
	(unaudited) (RMB'000)	(unaudited) (RMB'000)
Revenue	79,202 (equivalent to approximately HK\$87,122,000)	117,211 (equivalent to approximately HK\$128,932,000)
Net profit (before taxation and extraordinary items)	5,785 (equivalent to approximately HK\$6,364,000)	4,826 (equivalent to approximately HK\$5,309,000)
Net profit (after taxation and extraordinary items)	4,173 (equivalent to approximately HK\$4,590,000)	3,893 (equivalent to approximately HK\$4,282,000)

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the Annual Report 2019 of the Company, the Group has successfully established a business presence as a general main contractor in the PRC construction market through its acquisition of 80% equity interest in the Purchaser. The Directors considered that the Acquisition is in line with one of the core businesses of the Group and would create synergy from combining the capabilities of both the Group and the Target Company in providing construction services in the PRC.

Pursuant to the Sale and Purchase Agreement, the Purchaser is entitled to appoint a majority number of directors of the Target Company and will be able to control the management and operation of the Target Company. Accordingly, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results, assets and liabilities will be consolidated into the accounts of the Group upon Completion. The Directors are of the view that the Acquisition represents a good opportunity for the Group to acquire a controlling position in an advanced curtain wall manufacturing and installation company in the PRC which allows it to further develop as a comprehensive construction services provider in the PRC.

It is envisaged that the overall competitiveness of the Group will be further enhanced through cost savings and synergetic effect resulting from the Acquisition, and will facilitate the Company to further develop its operations in the construction industry and to strengthen its position in the construction services market in the PRC.

The Board considers that the Acquisition is carried out on normal commercial terms, and that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

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As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and is required to abstain from voting if the Company was to convene an extraordinary general meeting for approval of the Acquisition. In accordance with Rule 14.44 of the Listing Rules, in lieu of holding a general meeting for approving the Acquisition, the Company will obtain an irrevocable and unconditional written approval for the Acquisition from 青島西海岸控股(國際)有限公司 (Qingdao West Coast Holdings (Internation) Limited*), which holds 498,000,000 Shares, representing approximately 62.25% of the total issued Shares as at the date of this announcement.

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Shareholders and potential investors of the Company should be aware that the Acquisition is subject to certain conditions being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interest by the Purchaser from the Vendor pursuant to the terms and conditions under the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	Prosper Construction Holdings Limited (瑞港建設控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (Stock Code: 6816)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meanings ascribed thereto under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan

“Purchaser”	青島東捷建設工程有限公司 (Qingdao Dongjie Construction Engineering Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency in the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 16 November 2020 entered into among the Vendor, the Purchaser and the Target Company in relation to the Acquisition
“Sale Interest”	the 34.00% equity interest in the Target Company immediately prior to the Completion
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	青島宏海幕牆有限公司 (Qingdao Honghai Curtain Wall Co., Ltd.*), a company established in the PRC with limited liability
“Vendor”	Mr. Wang Yonghong, an Independent Third Party
“%”	per cent.

The English translation of the names in Chinese which is marked with “” in this announcement is for identification purpose only.*

Amounts denominated in RMB in this announcement have been converted into HK\$ at the rate of RMB1 to HK\$1.1 for illustrative purposes only.

By Order of the Board
Prosper Construction Holdings Limited
Ding Hongbin
Executive Director

Hong Kong, 16 November 2020

As at the date of this announcement, the Board comprised executive Directors Mr. LIU Luqiang (chairman of the Board), Mr. CUI Qi, Mr. YANG Zhenshan, Mr. JIANG Shuang and Mr. DING Hongbin; non-executive Director Mr. WANG Xuejun; and independent non-executive Directors Mr. CHEUNG Chi Man Dennis, Mr. WANG Yaping and Mr. CHENG Xuezhao.