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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)

**CONTINUING CONNECTED TRANSACTIONS IN
RELATION TO THE ENTERING INTO OF
THE CONSTRUCTION SERVICES FRAMEWORK AGREEMENT**

Reference is made to the announcement dated 13 February 2020 and the circular dated 13 March 2020 of the Company in relation to the entering into of the Landong Construction Contracts and Lanxi Construction Contracts between Dongjie Construction, an indirect non-wholly owned subsidiary of the Company, and subsidiaries of Qingdao West Coast Group.

CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

On 28 April 2020, West Coast Development HK and Qingdao West Coast Group entered into the Construction Services Framework Agreement, pursuant to which the Group has agreed to provide construction services for construction projects to the Qingdao Group, which may involve tendering for the Qingdao Group's construction projects in the PRC, in accordance with the tendering procedures of the Qingdao Group and the Group from time to time for the period commencing on the Effective Date until 31 December 2022.

It is proposed that the Annual Caps under the Construction Services Framework Agreement shall be capped at HK\$900 million, HK\$1,350 million and HK\$1,850 million for the period from the Effective Date to 31 December 2020 and the two years ending 31 December 2021 and 31 December 2022, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Qingdao West Coast Group is the ultimate holding company and a controlling shareholder of the Company, which indirectly holds 62.25% of the issued share capital of the Company. The Qingdao Group are therefore connected persons of the Company and the transactions contemplated under the Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Mr. Liu Luqiang, Mr. Yang Zhenshan and Mr. Jiang Shuang, each an executive Director, and Mr. Wang Xuejun, a non-executive Director, have abstained from voting on the relevant board resolutions of the Company. Qingdao West Coast Holdings (Internation) Limited, a controlling shareholder of the Company directly holding 62.25% of the issued share capital of the Company and an indirect wholly-owned subsidiary of Qingdao West Coast Group, will be required to abstain from voting on the relevant shareholders' resolutions of the Company at the EGM.

Since one or more of the applicable percentage ratios on an annual basis in respect of the Annual Caps exceed 5% and each of the Annual Caps is above HK\$10,000,000, the transactions contemplated under the Construction Services Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements.

GENERAL

The EGM will be convened by the Company for the Independent Shareholders to consider, and if thought fit, approve the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for Qingdao West Coast Holdings (Internation) Limited and its associates, no other Shareholder has a material interest in the transactions contemplated under the Construction Services Framework Agreement such that he or she or it shall abstain from voting at the EGM on the resolutions to approve the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to (i) whether the terms of the Construction Services Framework Agreement and the Annual Caps are fair and reasonable; (ii) whether the Construction Services Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of the business of the Group; (iii) whether the transactions contemplated under the Construction Services Framework Agreement are in the interests of the Company and the Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders. Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

A circular containing, among other things, (a) further information on the terms of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps; (b) a letter from the Independent Board Committee to the Independent Shareholders; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (d) a notice of the EGM, is expected to be despatched to the Shareholders on or before 21 May 2020 in accordance with the Listing Rules.

BACKGROUND

On 28 April 2020, West Coast Development HK and Qingdao West Coast Group entered into the Construction Services Framework Agreement, pursuant to which the Group has agreed to provide construction services for construction projects to the Qingdao Group, which may involve tendering for the Qingdao Group's construction projects in the PRC, in accordance with the tendering procedures of the Qingdao Group and the Group from time to time for the period commencing on the Effective Date until 31 December 2022.

It is proposed that the Annual Caps under the Construction Services Framework Agreement shall be capped at HK\$900 million, HK\$1,350 million and HK\$1,850 million for the period from the Effective Date to 31 December 2020 and the two years ending 31 December 2021 and 31 December 2022, respectively.

THE CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

The principal terms of the Construction Services Framework Agreement are set out below:

Date	:	28 April 2020
Parties	:	(a) Qingdao West Coast Group; and (b) West Coast Development HK
Subject matter	:	The Group will provide construction services to the Qingdao Group and may therefore participate in tenders for construction projects of the Qingdao Group in the PRC from time to time. If any tenders submitted by the Group have been awarded in accordance with the tendering procedures of the Qingdao Group, the Group shall enter into individual construction contracts (the “ Individual Contracts ”) with the Qingdao Group for the provision of construction services by the Group as the contractor subject to terms and conditions of the Construction Services Framework Agreement at fair and reasonable market prices.
Term	:	From the Effective Date to 31 December 2022 (both dates inclusive)

- Pricing : The contract sum payable under each of the Individual Contracts will be determined through an open tender process to ensure that price and terms of the tender submitted by the Group are on normal commercial terms and no more favourable than those submitted to independent third parties, or the market prices or benchmarks for transactions of similar nature. In determining the pricing terms, the Group will take into account factors including but not limited to the types of construction works, technical requirements, risks, expected completion time, quantity specifications, labour costs, machinery and equipment costs, management fees, safety and civilized construction fees and the applicable tax rates for construction works in the PRC. The Group will take into account not less than three quotations from its suppliers and/or sub-contractors for the costing of each construction project. In addition, the Group will take into account the unit price for each type of construction work with reference to the standards and guidance on the relevant rates and fees published by the authorities such as Qingdao Municipal Bureau of Housing and Urban-Rural Development* (青島市住房和城鄉建設局), and the cost of materials issued by industry associations such as Qingdao Engineering Construction Standard & Cost Association* (青島市工程建設標準造價協會). Each of the final contract sums shall be finalised after the completion of the construction project, subject to further price adjustments to be made in accordance with the terms of adjustment as adopted by the parties under each of the Individual Contracts.
- Payment terms : The contract sum payable by the Qingdao Group will be settled pursuant to the payment terms as set out in each of the Individual Contracts in accordance with usual market practices and payment terms of similar projects.
- To the best of the knowledge and belief of the Directors and in accordance with usual market practices, the contract sum is usually settled in stages based on the actual progress of the project to be further delineated in the Individual Contracts.
- Condition precedent : The passing of relevant resolutions by the Independent Shareholders at the EGM to approve the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

ANNUAL CAPS

Set out below are Annual Caps for the transactions contemplated under the Construction Services Framework Agreement for the relevant periods:

	For the period from the Effective Date to 31 December 2020	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Annual Caps	900,000,000	1,350,000,000	1,850,000,000

The Annual Caps were determined with reference to the estimated revenue to be derived from construction contracts that have been entered into, and that may be entered into between the Group and the Qingdao Group during the period from the Effective Date to 31 December 2020 and the two years ending 31 December 2022, including:

- (i) the Landong Construction Contracts with a total contract sum of approximately RMB538.9 million (equivalent to approximately HK\$592.8 million) entered into between Dongjie Construction and Qingdao Xifa Real Estate Company Limited* (青島西發置業有限公司) on 13 February 2020, under which, the Group is expected to derive revenue of approximately RMB298.0 million and RMB240.9 million during the period from the Effective Date to 31 December 2020 and the year ending 31 December 2021, respectively;
- (ii) the Lanxi Construction Contracts with a total contract sum of approximately RMB486.1 million (equivalent to approximately HK\$534.8 million) entered into between Dongjie Construction and Qingdao West Coast New Area Development Company Limited* (青島西海岸新區開發建設有限公司) on 13 February 2020, under which, the Group is expected to derive revenue of approximately RMB252.0 million and RMB234.1 million during the period from the Effective Date to 31 December 2020 and the year ending 31 December 2021, respectively;
- (iii) the six tenders with an estimated total contract sum of approximately RMB839.7 million expected to be submitted by the Group to the Qingdao Group during the second to fourth quarter of 2020, under which, if the relevant contracts are granted to the Group, the Group is expected to derive revenue of approximately RMB266.5 million, RMB467.3 million and RMB105.9 million during the period from the Effective Date to 31 December 2020 and the two years ending 31 December 2021 and 31 December 2022, respectively; and
- (iv) the expected increase in the number and total contract sum of new construction projects of the Qingdao Group which may be recognised as revenue by the Group during the two years ending 31 December 2021 and 31 December 2022.

Such projection is solely for determining the Annual Caps and shall not be regarded as any indication directly or indirectly as to the respective revenue or profitability of the Group.

REASONS FOR AND BENEFITS OF THE CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

As set out in the annual report of the Company for the year ended 31 December 2019, the Group is actively exploring business opportunities in the Southeast Asian region to counteract the impact of uncertainties in the Hong Kong marine construction market. The Directors have also been reviewing the Group's existing business and seeking opportunities to diversify the Group's business portfolio and broaden its source of income to maximise return to the Company and the Shareholders in the long run. As part of the strategy to diversify the Group's business portfolio, the Company has expanded into the construction industry with the completion of the acquisition of 80.0% equity interests in Dongjie Construction in January 2020. Given that (i) Dongjie Construction possesses the necessary qualifications and/or licenses to engage in construction projects in the PRC; and (ii) majority of the Directors are experienced in working with infrastructure and property project developers in the greater Qingdao area of Shandong Province in the PRC, the Board believes that the Group is well equipped to further expand into the construction industry in the PRC.

Further to the Landong Construction Contracts and Lanxi Construction Contracts entered into between Dongjie Construction and subsidiaries of Qingdo West Coast Group in February 2020, it is expected that the pipeline of new construction projects of the Qingdao Group would increase towards the second to fourth quarter of 2020, and the number and total contract sum of construction projects which the Qingdao Group may invite the Group to submit tenders would also increase. The Board believes that the entering into of the Construction Services Framework Agreement and the engagement of the Group as contractor upon successful tenders shall allow the Group to strengthen and further develop its construction business in the PRC, widen its business portfolio and enhance its competitiveness in the market.

The Directors (other than Mr. Liu Luqiang, Mr. Yang Zhenshan and Mr. Jiang Shuang, each an executive Director, and Mr. Wang Xuejun, a non-executive Director, who have abstained from voting on the relevant board resolutions due to conflict of interest, and the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) are of the view that the terms of the Construction Services Framework Agreement were concluded after arm's length negotiations and reflect normal commercial terms, and that the terms of the Construction Services Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL

The Group has adopted the following internal control procedures to govern the continuing connected transactions of the Group under the Construction Services Framework Agreement and the Annual Caps:

- (i) the finance department of the Company will closely monitor and record the actual transaction amounts of the continuing connected transactions under the Construction Services Framework Agreement to ensure that the Annual Caps will not be exceeded;
- (ii) the tender department and contract department of the Company will compare the prices and terms with other construction projects of similar nature and scale entered into and/or tenders and/or quotations submitted by the Group with/to independent third parties, or compare the prices and terms with the market prices or benchmarks for transactions of similar nature, in order to ensure the fees charged by the Group are fair and reasonable and no less favourable to the Group than those offered to independent third parties;
- (iii) the contract department and project department of the Company will submit the construction plans, price comparison report, and status report to the executive Directors before entering into Individual Contracts;
- (iv) the Company's auditor will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually and confirm whether (a) the transactions under the Construction Services Framework Agreement have been approved by the Board; (b) the transactions were entered into in accordance with the Construction Services Framework Agreement; and (c) the Annual Caps have not been exceeded; and
- (v) the independent non-executive Directors will perform annual review (which are subject to the annual review and disclosure requirements under the Listing Rules) to confirm the transactions under the Construction Services Framework Agreement are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Construction Services Framework Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board believes that the above internal control procedures are appropriate and can ensure the transactions are carried out in accordance with the Construction Services Framework Agreement and the prices charged by the Company will not be less favourable than those charged under transactions with independent third parties.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Qingdao West Coast Group is the ultimate holding company and a controlling shareholder of the Company, which indirectly holds 62.25% of the issued share capital of the Company. The Qingdao Group are therefore connected persons of the Company and the transactions contemplated under the Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Mr. Liu Luqiang, Mr. Yang

Zhenshan and Mr. Jiang Shuang, each an executive Director, and Mr. Wang Xuejun, a non-executive Director, have abstained from voting on the relevant board resolutions of the Company. Qingdao West Coast Holdings (Internation) Limited, a controlling shareholder of the Company directly holding 62.25% of the issued share capital of the Company and an indirect wholly-owned subsidiary of Qingdao West Coast Group, will be required to abstain from voting on the relevant shareholders' resolutions of the Company at the EGM.

Since one or more of the applicable percentage ratios on an annual basis in respect of the Annual Caps exceed 5% and each of the Annual Caps is above HK\$10,000,000, the transactions contemplated under the Construction Services Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements.

INFORMATION ON THE COMPANIES

The Company

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of marine and general construction services and the leasing and trading of vessels.

Qingdao West Coast Group

Qingdao West Coast Group is the ultimate holding company of the Company and a state-owned enterprise wholly-owned by the State-owned Asset Supervision and Administration Commission of Qingdao. It principally engages in infrastructure construction, land development, real estate development and other industrial investment and operations (including cultural, tourism and financial services).

West Coast Development HK

West Coast Development HK is an investment holding company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. It indirectly holds 80.0% equity interests in Dongjie Construction, which principally engages in construction projects in the PRC, including but not limited to general contracting of building construction, building foundation, garden greening projects, garden landscape projects, cultural relic protection projects, real estate development business, building materials wholesale, building demolition, 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 projects, fire control facilities engineering, waterproof anticorrosion insulation works, steel structure engineering, and building mechanical and electrical installation.

GENERAL

The EGM will be convened by the Company for the Independent Shareholders to consider, and if thought fit, approve the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for Qingdao West Coast Holdings (Internation) Limited and its associates, no other Shareholder has a material interest in the transactions contemplated under the Construction Services Framework Agreement such that he or she or it shall abstain from voting at the EGM on the resolutions to approve the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to (i) whether the terms of the Construction Services Framework Agreement and the Annual Caps are fair and reasonable; (ii) whether the Construction Services Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of the business of the Group; (iii) whether the transactions contemplated under the Construction Services Framework Agreement are in the interests of the Company and the Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders. Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

A circular containing, among other things, (a) further information on the terms of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps; (b) a letter from the Independent Board Committee to the Independent Shareholders; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (d) a notice of the EGM, is expected to be despatched to the Shareholders on or before 21 May 2020 in accordance with the Listing Rules.

DEFINITIONS

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

“Annual Caps”	the annual caps for the transactions contemplated under the Construction Services Framework Agreement, being HK\$900 million, HK\$1,350 million and HK\$1,850 million for the period from the Effective Date to 31 December 2020 and the two years ending 31 December 2021 and 31 December 2022, respectively.
“associate(s)”	has the meaning ascribed to it under the Listing Rules

“Board”	the board of Directors
“Company”	Prosper Construction Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 6816)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Services Framework Agreement”	the framework agreement dated 28 April 2020 entered into between West Coast Development HK and Qingdao West Coast Group, pursuant to which the Group has agreed to provide construction services for construction projects to the Qingdao Group, which may involve tendering for the Qingdao Group’s construction projects in the PRC, in accordance with the tendering procedures of the Qingdao Group and the Group from time to time for the period commencing on the Effective Date until 31 December 2022
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rule
“Director(s)”	the director(s) of the Company
“Dongjie Construction”	Qingdao Dongjie Construction Engineering Co., Ltd.* (青島東捷建設工程有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Effective Date”	the date upon which the approval by the Independent Shareholders of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps is obtained
“EGM”	an extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board (comprising all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps

“Independent Financial Adviser”	the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps
“Independent Shareholders”	Shareholders who are not interested in the Construction Services Framework Agreement and are not required under the Listing Rules to abstain from voting at the EGM to approve the same, the transactions contemplated thereunder and the Annual Caps
“Landong Construction Contracts”	the construction contract and the supplemental contract with regard to the appointment of Dongjie Construction as the main contractor for the provision of construction services entered into between Dongjie Construction and Qingdao Xifa Real Estate Company Limited* (青島西發置業有限公司), an indirect wholly-owned subsidiary of Qingdao West Coast Group dated 13 February 2020
“Lanxi Construction Contracts”	the construction contract and the supplemental contract with regard to the appointment of Dongjie Construction as the main contractor for the provision of construction services entered into between Dongjie Construction and Qingdao West Coast New Area Development Company Limited* (青島西海岸新區開發建設有限公司), an indirect wholly-owned subsidiary of Qingdao West Coast Group dated 13 February 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Qingdao Group”	Qingdao West Coast Group and its subsidiaries and/or affiliated companies
“Qingdao West Coast Group”	Qingdao West Coast Development (Group) Limited* (青島西海岸發展(集團)有限公司), the ultimate holding company and controlling shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“West Coast Development HK”	West Coast Development (Hong Kong) Limited (西海岸發展(香港)有限公司), a company established in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, which indirectly holds 80.0% equity interests in Dongjie Construction
“%”	per cent

By the order of the Board
Prosper Construction Holdings Limited
Jiang Shuang
Executive Director

Hong Kong, 28 April 2020

As at the date of this announcement, the Board comprises executive Directors, namely 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, namely Mr. Cheung Chi Man Dennis, Mr. Wang Yaping and Mr. Cheng Xuezhao.

For the purpose of this announcement, unless otherwise indicated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.10. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK\$ has been or could have been or may be converted at such or another rate or at all.

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