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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)

**ANNOUNCEMENT OF RESULTS FOR  
THE YEAR ENDED 31 DECEMBER 2019**

| <b>FINANCIAL HIGHLIGHTS</b>                 | <b>Year ended 31 December</b> |                     |
|---|-------------------------------|---------------------|
|   | <b>2019</b>                   | <b>2018</b>         |
|   | <i>HK\$ million</i>           | <i>HK\$ million</i> |
| <b>Revenue</b>                              | <b>515.1</b>                  | 384.6               |
| <b>Profit for the year</b>                  | <b>12.1</b>                   | 30.4                |
| <b>Earnings per share (<i>HK cents</i>)</b> | <b>1.51</b>                   | 3.80                |
| <b>Dividend per share (<i>HK cents</i>)</b> | <b>Nil</b>                    | Nil                 |
|   | <b>As at 31 December</b>      |                     |
|   | <b>2019</b>                   | <b>2018</b>         |
|   | <i>HK\$ million</i>           | <i>HK\$ million</i> |
| <b>Total assets</b>                         | <b>928.4</b>                  | 819.4               |
| <b>Total equity</b>                         | <b>517.0</b>                  | 499.7               |
| <b>Equity per share (<i>HK\$</i>)</b>       | <b>0.65</b>                   | 0.62                |

The board (the “Board”) of directors (the “Directors”) of Prosper Construction Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2019 (the “Year 2019”) together with comparative figures for the year ended 31 December in 2018 (the “Year 2018”) as set out below.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2019*

|   | <i>Note</i> | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Revenue   | 3           | <b>515,077</b>                 | 384,576                 |
| Cost of sales   |             | <u>(465,231)</u>               | <u>(313,276)</u>        |
| Gross profit  |             | <b>49,846</b>                  | 71,300                  |
| Other (losses)/gains, net   |             | <b>(5,131)</b>                 | 3,071                   |
| Impairment losses on financial assets   |             | <b>(2,043)</b>                 | (8,031)                 |
| Other administrative expenses   |             | <u>(27,441)</u>                | <u>(28,381)</u>         |
| Operating profit  |             | <u>15,231</u>                  | <u>37,959</u>           |
| Finance income  |             | <b>418</b>                     | 2,189                   |
| Finance costs   |             | <u>(6,781)</u>                 | <u>(6,739)</u>          |
| Finance costs, net  |             | <u>(6,363)</u>                 | <u>(4,550)</u>          |
| Profit before income tax  |             | <b>8,868</b>                   | 33,409                  |
| Income tax credit/(expenses)  | 4           | <u>3,220</u>                   | <u>(2,994)</u>          |
| Profit for the year   |             | <b>12,088</b>                  | 30,415                  |
| Other comprehensive income/(loss)   |             |                                |                         |
| <i>Item that may be subsequently reclassified to profit or loss</i>                 |             |                                |                         |
| Currency translation differences  |             | <u>5,234</u>                   | <u>(8,858)</u>          |
| Profit and total comprehensive income attributable to equity holders of the Company |             | <u>17,322</u>                  | <u>21,557</u>           |
| Basic and diluted earnings per share ( <i>HK cents</i> )                            | 5           | <u>1.51</u>                    | <u>3.80</u>             |

## CONSOLIDATED BALANCE SHEET

As at 31 December 2019

|   | <i>Note</i> | <b>2019</b><br><i>HK\$'000</i> | <b>2018</b><br><i>HK\$'000</i> |
|---|-------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>   |             |                                |                                |
| <b>Non-current assets</b>                               |             |                                |                                |
| Plant and equipment                                     |             | <b>204,657</b>                 | 217,620                        |
| Right-of-use assets                                     |             | <b>4,113</b>                   | –                              |
| Deposits  |             | <b>15,953</b>                  | 8,279                          |
|   |             | <b>224,723</b>                 | 225,899                        |
| <b>Current assets</b>                                   |             |                                |                                |
| Trade and retention receivables                         | 7           | <b>245,365</b>                 | 349,061                        |
| Deposits, prepayments and other receivables             |             | <b>15,708</b>                  | 26,280                         |
| Contract assets   | 8           | <b>71,106</b>                  | 78,143                         |
| Amounts due from the other partner of a joint operation |             | –                              | 129                            |
| Income tax recoverable                                  |             | <b>3,810</b>                   | 3,631                          |
| Time deposits with maturity over 3 months               |             | <b>8,351</b>                   | 16,353                         |
| Pledged bank deposits                                   |             | <b>23,200</b>                  | 13,200                         |
| Cash and cash equivalents                               |             | <b>336,164</b>                 | 106,657                        |
|   |             | <b>703,704</b>                 | 593,454                        |
| <b>Total assets</b>                                     |             | <b>928,427</b>                 | 819,353                        |
| <b>EQUITY</b>   |             |                                |                                |
| <b>Capital and reserves</b>                             |             |                                |                                |
| Share capital   | 10          | <b>8,000</b>                   | 8,000                          |
| Reserves  |             | <b>509,002</b>                 | 491,680                        |
| <b>Total equity</b>                                     |             | <b>517,002</b>                 | 499,680                        |

|   | <i>Note</i> | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| <b>LIABILITIES</b>                        |             |                                |                         |
| <b>Non-current liabilities</b>            |             |                                |                         |
| Borrowings                                |             | –                              | 788                     |
| Lease liabilities                         |             | <b>147</b>                     | –                       |
| Deferred income tax liabilities           |             | <b>9,156</b>                   | <u>11,655</u>           |
|   |             | <b>9,303</b>                   | <u>12,443</u>           |
| <b>Current liabilities</b>                |             |                                |                         |
| Trade and retention payables              | 9           | <b>53,982</b>                  | 42,055                  |
| Accruals and other payables               | 9           | <b>7,551</b>                   | 16,295                  |
| Contract liabilities                      | 8           | <b>91,387</b>                  | 100,900                 |
| Loan from an intermediate holding company |             | <b>100,000</b>                 | –                       |
| Amount due to a related company           |             | <b>4,882</b>                   | 6,507                   |
| Borrowings                                |             | <b>135,483</b>                 | 138,958                 |
| Lease liabilities                         |             | <b>3,006</b>                   | –                       |
| Income tax payable                        |             | <b>5,831</b>                   | <u>2,515</u>            |
|   |             | <b>402,122</b>                 | <u>307,230</u>          |
| <b>Total liabilities</b>                  |             | <b>411,425</b>                 | <u>319,673</u>          |
| <b>Total equity and liabilities</b>       |             | <b>928,427</b>                 | <u>819,353</u>          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 6 October 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries provide marine construction services and provision of auxiliary marine related services. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars ("HK\$") unless otherwise stated.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The accounting policies and methods of computation used in the preparation of the consolidated financial statements for the year ended 31 December 2019 are consistent with those used in the preparation of the Group's audited financial statements for the year ended 31 December 2018, except as described below.

### (a) *Adoption of new standards, interpretation and amendments to standards*

The Group has adopted the following new standard, improvements, interpretation and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2019:

|                      |  |
|----------------------|--|
| HKAS 19 (Amendments) | Plan Amendment, Curtailment or Settlement            |
| HKAS 28 (Amendments) | Long-term Interests in Associates and Joint Ventures |
| HKFRS 9 (Amendments) | Prepayment Features with Negative Compensation       |
| HKFRS 16             | Leases   |
| HK(IFRIC)-Int23      | Uncertainty over income tax treatments               |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2015–2017 cycle        |

The Group had to change its accounting policies as a result of adopting HKFRS 16 "Leases". The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in (c) below. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Except for the impact for HKFRS 16 which have been disclosed in (c) below, the adoption of the above new standard, improvements, interpretation and amendments to standards did not have any significant financial impact on these consolidated financial statements.

**(b) *New standard, revised framework and amendments to standards which are not yet effective***

The following are new standard, revised framework and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2020 or later periods, but have not been early adopted by the Group.

|   |  |
|---|--|
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting <sup>(1)</sup>                                  |
| HKAS 1 and HKAS 8 (Amendments)                    | Definition of Material <sup>(1)</sup>  |
| HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)         | Interest Rate Benchmark Reform <sup>(1)</sup>  |
| HKFRS 3 (Amendments)                              | Definition of a Business <sup>(1)</sup>  |
| HKFRS 10 and HKAS 28 (Amendments)                 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(3)</sup> |
| HKFRS 17  | Insurance Contracts <sup>(2)</sup>   |

<sup>(1)</sup> Effective for the accounting period beginning on 1 January 2020

<sup>(2)</sup> Effective for the accounting period beginning on 1 January 2021

<sup>(3)</sup> Effective date to be determined

The Group will apply the above new standard, revised framework and amendments to standards when they become effective. No new standard, revised framework and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

**(c) *Changes in accounting policies***

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening of the consolidated balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 (date of initial application of HKFRS 16). The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.4%.

In applying HKFRS 16 for the first time, the Group has used a single discount rate to a portfolio of leases with reasonable similar characteristics, which is a practical expedient permitted by the standard.

The reconciliation between the operating lease commitments as disclosed by applying HKAS 17 as at 31 December 2018 and lease liabilities recognised in the opening of the consolidated balance sheet as at 1 January 2019 (date of initial application of HKFRS 16) is as follows:

|   | <i>HK\$'000</i>            |
|---|----------------------------|
| Operating lease commitments disclosed as at 31 December 2018                                | <u>5,620</u>               |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | <u>5,405</u>               |
| <b>Lease liabilities recognised as at 1 January 2019</b>                                    | <b><u><u>5,405</u></u></b> |
| Of which are:   |                            |
| — Current lease liabilities   | 3,037                      |
| — Non-current lease liabilities   | <u>2,368</u>               |
|   | <b><u><u>5,405</u></u></b> |

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the right-of-use assets increased by HK\$6,348,000, deposits decreased by HK\$943,000 and lease liabilities increased by HK\$5,405,000 respectively in the consolidated balance sheet at 1 January 2019.

The recognised right-of-use assets of HK\$6,348,000 are related to office premises and staff quarters.

### 3. REVENUE AND SEGMENT INFORMATION

|  | <b>2019</b>                  | 2018                  |
|--|------------------------------|-----------------------|
|  | <b><i>HK\$'000</i></b>       | <i>HK\$'000</i>       |
| Rendering of services                            |                              |                       |
| — Marine construction works                      | <b>308,368</b>               | 134,510               |
| — Provision of auxiliary marine related services | <u><b>206,709</b></u>        | <u>250,066</u>        |
|  | <b><u><u>515,077</u></u></b> | <u><u>384,576</u></u> |

#### 4. TAXATION

The amount of income tax (credited)/charged to the consolidated statement of comprehensive income represents:

|                                | <b>2019</b>           | 2018                |
|--------------------------------|-----------------------|---------------------|
|                                | <b>HK\$'000</b>       | HK\$'000            |
| Hong Kong profits tax          |                       |                     |
| Current income tax             | –                     | –                   |
| Over-provision in prior year   | <b>(5,502)</b>        | (176)               |
| Deferred income tax            | <b>(2,499)</b>        | 3,182               |
| Indonesia income tax           |                       |                     |
| Withholding income tax         | <b>15</b>             | 14                  |
| Macao complementary income tax |                       |                     |
| Current income tax             | <b>4,402</b>          | –                   |
| Over-provision in prior year   | –                     | (26)                |
| Malaysia corporate income tax  |                       |                     |
| Under-provision in prior year  | <b>364</b>            | –                   |
|                                | <b><u>(3,220)</u></b> | <b><u>2,994</u></b> |

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year.

Indonesia income tax is charged through a system of withholding taxes. Companies are required to withhold final income tax for construction works performance and interest income from bank deposits. For the year ended 31 December 2019, income tax has been provided at the rate of 20% (2018: 20%) of the interest income from bank deposits.

Macao complementary income tax has been provided at the rate of 12% (2018: 12%) on the estimated assessable profit for the year.



## 5. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

|  | 2019           | 2018           |
|--|----------------|----------------|
| Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )   | 12,088         | 30,415         |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share ( <i>'000</i> ) | <u>800,000</u> | <u>800,000</u> |
| Basic earnings per share ( <i>HK cents</i> )   | <u>1.51</u>    | <u>3.80</u>    |

### (b) Diluted

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares during the year.

## 6. DIVIDENDS

There is no final dividend proposed to shareholders of the Company for the year ended 31 December 2019 (2018: Nil).

## 7. TRADE AND RETENTION RECEIVABLES

|                                      | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Trade receivables                    | 192,540                 | 299,421                 |
| Less: Loss allowance                 | <u>(5,581)</u>          | <u>(7,802)</u>          |
| Trade receivables — net              | <u>186,959</u>          | <u>291,619</u>          |
| Retention receivables                | 61,700                  | 57,442                  |
| Less: Loss allowance                 | <u>(3,294)</u>          | <u>—</u>                |
| Retention receivables — net          | <u>58,406</u>           | <u>57,442</u>           |
| Trade and retention receivables, net | <u>245,365</u>          | <u>349,061</u>          |

The credit period granted to trade customers other than for retention receivables was within 30 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The ageing analysis of the trade receivables based on invoice date was as follows:

|              | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| Current      | <b>63,396</b>                  | 39,848                  |
| Up to 1 year | <b>37,274</b>                  | 110,285                 |
| 1 to 2 years | <b>3,518</b>                   | 53,237                  |
| Over 2 years | <b>82,771</b>                  | 88,249                  |
|              | <b><u>186,959</u></b>          | <u>291,619</u>          |

In the consolidated balance sheet, retention receivables were classified as current assets. The ageing analysis of the retention receivables based on invoice date was as follows:

|                       | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|-----------------------|--------------------------------|-------------------------|
| Within 1 year         | <b>331</b>                     | 2,358                   |
| Between 1 and 5 years | <b>35,305</b>                  | 31,042                  |
| Over 5 years          | <b>22,770</b>                  | 24,042                  |
|                       | <b><u>58,406</u></b>           | <u>57,442</u>           |

## 8. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

|   | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| <b>Contract assets</b>  |                                |                         |
| Provision of construction services                              | <b>75,356</b>                  | 81,423                  |
| Less: Loss allowance  | <b>(4,250)</b>                 | (3,280)                 |
|   | <b><u>71,106</u></b>           | <u>78,143</u>           |
| <b>Contract liabilities</b>                                     |                                |                         |
| Provision of construction and auxiliary marine related services | <b><u>(91,387)</u></b>         | <u>(100,900)</u>        |

## 9. TRADE AND RETENTION PAYABLES, ACCRUALS AND OTHER PAYABLES

|                             | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Trade payables              | 50,893                  | 37,816                  |
| Retention payables          | 3,089                   | 4,239                   |
| Accruals and other payables | <u>7,551</u>            | <u>16,295</u>           |
|                             | <u><u>61,533</u></u>    | <u><u>58,350</u></u>    |

The credit period granted for trade payables and other payables was within 30 to 90 days.

The ageing analysis of the trade payables based on invoice date was as follows:

|                    | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| Current            | 2,429                   | 460                     |
| 1 to 30 days       | 20,139                  | 1,670                   |
| 31 to 60 days      | –                       | 1,180                   |
| 61 to 90 days      | –                       | 1,799                   |
| 91 to 180 days     | –                       | 639                     |
| 181 to 365 days    | 5,385                   | –                       |
| More than 365 days | <u>22,940</u>           | <u>32,068</u>           |
|                    | <u><u>50,893</u></u>    | <u><u>37,816</u></u>    |

In the consolidated balance sheet, retention payables were classified as current liabilities. The ageing analysis of the retention payables based on invoice date was as follows:

|                             | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Within 1 year               | 578                     | 2,815                   |
| Between 1 year and 2 years  | 1,947                   | 972                     |
| Between 2 years and 5 years | <u>564</u>              | <u>452</u>              |
|                             | <u><u>3,089</u></u>     | <u><u>4,239</u></u>     |

## 10. SHARE CAPITAL

|  | <b>Number<br/>of shares</b> | <b>Share<br/>capital<br/><i>HK\$'000</i></b> |
|--|-----------------------------|--|
| <b>Ordinary shares, authorised:</b>            |                             |  |
| At 31 December 2017, 2018 and 2019             | <u>4,000,000,000</u>        | <u>40,000</u>                                |
| <b>Ordinary shares, issued and fully paid:</b> |                             |  |
| At 31 December 2017, 2018 and 2019             | <u>800,000,000</u>          | <u>8,000</u>                                 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### Major projects

During the Year 2019, the Group derived the majority of its revenue from its projects in Macao, followed by Pakistan, Vietnam and Hong Kong. A breakdown of the Group's revenue by geographic location and major projects for the Year 2019 is set out in the table below.

|  | <b>Revenue<br/>recognised in<br/>Year 2019<br/>HK\$'million</b> | <b>Contribution<br/>to total<br/>revenue</b> | <b>Current status</b>                            |
|--|---|--|--|
| <b>Macao</b>   |   |  |  |
| Two land reclamation projects  | 226.0   | 43.9%  | Ongoing and expecting completion in Q3/2021.     |
| Engineering, procurement and construction ("EPC") contract for electricity generation facility | 60.1  | 11.7%  | Ongoing and expecting completion in Q2/2022.     |
| <b>Pakistan</b>  |   |  |  |
| Provision of auxiliary marine related services projects  | 83.6  | 16.2%  | Completed  |
| <b>Vietnam</b>   |   |  |  |
| Provision of auxiliary marine related services projects  | 94.6  | 18.4%  | Ongoing and expecting completion by end of 2020. |
| <b>Hong Kong</b>   |   |  |  |
| Construction works   | 21.9  | 4.3%   |  |
| Provision of auxiliary marine related services projects  | 23.7  | 4.5%   |  |
| <b>Other locations</b>   | <u>5.2</u>  | <u>1.0%</u>                                  |  |
| <b>Total</b>   | <u><u>515.1</u></u>   | <u><u>100.0%</u></u>                         |  |

During the Year 2019, the Group's land reclamation projects in Macao achieved notable progress and became the top revenue contributor to the Group, as shown in the above table. In respect of the provision of auxiliary marine related services, all projects located in Pakistan carried over from the Year 2018 were completed during the Year 2019, while a new contract relating to a project located in Vietnam was entered into during the Year 2019 and is expected to continue throughout year 2020. No

new major contracts were entered into in Hong Kong during the Year 2019, as the launch of new marine construction related projects were affected by the disturbance of the legislative council proceedings in Hong Kong.

In addition to exploring business opportunities in the Southeast Asia region to counteract the impact of uncertainties in the Hong Kong marine construction market, the Group has in January 2020 completed the acquisition of 80% equity interests in Qingdao Dongjie Construction Engineering Co., Ltd.\* (青島東捷建設工程有限公司) (“Dongjie Construction”), which is principally engaged in general contracting of building construction in the People’s Republic of China (the “PRC”), as part of the Group’s strategy to diversify its business portfolio and broaden its source of income. Since then, the Group has secured two contracts for the construction of two residential complexes in Qingdao, PRC with an estimated total contract value of over RMB1 billion and successfully established a business presence as general main contractor in the PRC construction market.

### *Outlook and prospects*

The status of the Group’s key projects on hand is set out below.

|  | <b>Location</b> | <b>Estimated<br/>remaining<br/>contract sum<br/><i>HK\$’million</i></b> | <b>Expected time of<br/>completion</b> |
|--|-----------------|---|--|
| Project(s) that have already commenced as at<br>31 December 2019   |                 |   |  |
| Dredging for port channel  | Bangladesh      | 557.0   | Q4/2021                                |
| Land reclamation projects  | Macao           | 510.3   | Q3/2021                                |
| EPC contract for an electricity generation<br>facility             | Macao           | 516.2   | Q2/2022                                |
| Provision of auxiliary marine related<br>services                  | Vietnam         | 175.1   | Q4/2020                                |
| Project(s) that will be commencing or are<br>newly awarded in 2020 |                 |   |  |
| Construction of two residential complexes                          | Qingdao, PRC    | 1,127.6   | Q2/2022 to Q1/2023                     |
| Dredging for a pier construction project                           | Pakistan        | 143.4   | Q2/2022                                |

In addition to the above key projects on hand, the Group is negotiating and/or in the process of bidding for a number of sizeable potential projects, including three general construction projects for the construction of office building premises and a nursing home complex in Qingdao, PRC, marine construction projects in Thailand, the Philippines and Indonesia, dredging projects in Macao and Pakistan and a few auxiliary marine related services projects.

The Group has the advantage of synergy of being both a general building contractor and a marine construction service provider and will remain vigilant for business opportunities in the construction industry, in particular, by tendering for and participating in projects that involve both general and marine construction works in the capacity as EPC main contractor, which are often of larger scale in terms of contract value and will benefit the Group by strengthening its presence in those regions and its position among its competitors.

## **Review on Results**

### *Revenue*

The Group recorded revenue of HK\$515.1 million for the Year 2019, representing an increase of approximately 33.9% from the Year 2018, which is mainly due to the growth in marine construction activities in the Macao market. A breakdown of the Group's revenue from major projects and by geographic location is set out in the section headed "Business Review" above.

The Group's revenue from marine construction works for the Year 2019 increased by approximately 129.3% to HK\$308.4 million from HK\$134.5 million for the Year 2018, which was mainly attributable to the revenue of approximately HK\$226.0 million derived from two new land reclamation projects and approximately HK\$60.1 million from the EPC project in Macao, which together contributed approximately 55.5% of the Group's total revenue for the Year 2019. Other than in Macao, the remaining marine construction revenue of approximately HK\$22.3 million was derived from a number of relatively smaller projects in Hong Kong and other countries.

On the other hand, the Group's revenue from the provision of auxiliary marine related services decreased by approximately 17.4% to HK\$206.7 million for the Year 2019, as all of the projects that continued during the Year 2018 had gradually scaled down and were completed during the Year 2019. As a result, revenue from provision of auxiliary marine related services in Pakistan reduced to approximately HK\$83.6 million for the Year 2019, while revenue of approximately HK\$94.6 million was recorded from a project in Vietnam that commenced during the Year 2019, and approximately HK\$28.5 million was derived from projects at various other locations.

### *Cost of sales and gross profit*

The Group's cost of sales increased by HK\$151.9 million or approximately 48.5% in the Year 2019 as compared to that of the Year 2018, which is higher than the percentage increase in the Group's revenue. Gross profit for the Year 2019 was HK\$49.8 million as compared to HK\$71.3 million for the Year 2018, and the gross profit margin decreased to 9.7% from 18.5% for the Year 2018. The decrease in gross profit margin was mainly due to (i) a higher proportion of the Group's revenue was generated from marine construction works, which generally yields a lower profit margin as more direct costs are required as compared to the provision of auxiliary marine related services, in the Year 2019; (ii) additional re-positioning costs incurred following the completion of various projects in Pakistan during

the Year 2019; and (iii) additional costs incurred for and the decrease in profit margin of marine construction projects, which was primarily due to the delay in progress in the Group's projects in Macao owing to factors out of the control and the scope of responsibilities of the Group.

#### *Impairment losses on financial assets*

The impairment losses on financial assets amounted to approximately HK\$2.0 million, which represents a provision for expected credit loss for the Year 2019 based on the management's latest assessment of the risk of default in general on the Group's financial assets, as compared to approximately HK\$8.0 million for the Year 2018.

#### *Other administrative expenses*

Administrative expenses decreased slightly by approximately HK\$1.0 million to HK\$27.4 million for the Year 2019, which was mainly due to the reduction in professional fees.

#### *Income tax expense*

The Group incurred relative low level of income tax expense for both Year 2019 and Year 2018, which was attributable to income sourced from overseas location where the applicable tax jurisdiction provided for favourable tax treatment or the Group's customer had agreed to take up the tax liability. Furthermore, the Group concluded a tax treatment review during the Year 2019 with the relevant tax authority and successfully recovered HK\$5.5 million of income tax charged in respect of the previous financial years.

#### *Profit for the year*

The Group's profit for the Year 2019 decreased by 60.2% to HK\$12.1 million as compared to HK\$30.4 million for the Year 2018 as a result of the combined effect of (i) the change in revenue mix, (ii) the decline in gross profit margin and gross profit, and (iii) the rise in foreign exchange loss, which were partially offset by the decrease in impairment losses on financial assets and other administrative expenses and the net income tax credit recorded for the Year 2019.

#### *Plant and equipment*

As at 31 December 2019, the Group owned a total of 41 units of marine vessels and 70 units of machinery and equipment. The Group did not carry out material acquisition or disposal of plant and equipment during the Year 2019.

#### *Trade and retention receivables*

The Group's trade and retention receivables decreased to HK\$245.4 million as at 31 December 2019, which mainly comprised of receivables for works on projects already completed and pending finalising of project account with customers. Ageing profile of the Group's trade and retention receivables is set out in note 7 in this announcement. While there is currently no indication of possible default on any of the Group's receivable balances, the management acknowledges there is certain default risks associated



with receivables balances in general and has adopted a systematic approach in assessing the overall risk of default and appropriate provision for expected credit loss has been made against the Group's receivable balances as at 31 December 2019.

#### *Contract assets/liabilities*

Contract assets represent amounts due from customers for contract works performed which had not been billed as at end of the financial year, majority of which was related to three previously completed projects in Hong Kong which were pending the finalisation of project account. According to the respective project work contract, where consensus cannot be reached between the employer and the subcontractor on interim certification of works performed, such discrepancy would be subject to assessment during finalisation of project account, which is due to commence only when the main contract for the project as a whole (of which the Group's marine work contract form part) is completed. Based on the preliminary assessment by the Group's project legal consultant, the Group is expected to be able to recover not less than the carrying value of the contract assets as at 31 December 2019 for the aforesaid three completed projects and would instigate dispute resolution procedures if and when determined fit.

Contract liabilities as at 31 December 2019 represent amounts due to contract customers for payment received in excess of revenue recognisable by the Group according to the progress achieved, mainly in relation to the Group's electricity generation facility project in Macao.

#### **Liquidity, Capital Structure and Gearing**

The Group maintained a healthy liquidity position with net current asset balance and net cash position of approximately HK\$301.6 million (31 December 2018: HK\$286.2 million) and HK\$132.2 million (31 December 2018: net debt position of HK\$3.5 million) respectively as at 31 December 2019. The Group's gearing ratio (calculated by dividing total debts by total equity) as at 31 December 2019 was 45.5% (31 December 2018: 28.0%). The increase in gearing during the Year 2019 was due to the draw down of new loans to finance for the growth in marine construction works in Macao and the anticipated acquisition of Dongjie Construction. The Group does not have unutilised banking facilities as at 31 December 2019 (31 December 2018: Nil). The maturity and interest rate profile of the Group's borrowings are set out below.

- (a) Borrowings due for repayment after one year which contain repayment on demand clause were classified as current liabilities.

Based on the scheduled repayment terms set out in the loan agreements and ignoring the effect of any repayment on demand clause, the maturity of borrowings would be as follows:

|                       | <b>As at 31 December</b> |                       |
|-----------------------|--------------------------|-----------------------|
|                       | <b>2019</b>              | 2018                  |
|                       | <b>HK\$'000</b>          | HK\$'000              |
| Within 1 year         | <b>131,958</b>           | 108,531               |
| Between 1 and 2 years | <b>3,525</b>             | 27,687                |
| Between 2 and 5 years | <u>–</u>                 | <u>3,528</u>          |
|                       | <b><u>135,483</u></b>    | <b><u>139,746</u></b> |

(b) The weighted average interest rate during the year were as follows:

|                       | <b>For the year ended</b> |      |
|-----------------------|---------------------------|------|
|                       | <b>31 December</b>        |      |
|                       | <b>2019</b>               | 2018 |
| Short-term bank loans | <b>3.2%</b>               | 3.7% |
| Long-term bank loans  | <b>4.8%</b>               | 4.6% |

## **Foreign Exchange**

The operations of the Group was mainly conducted in Hong Kong dollars (“HK\$”), Macao Patacas (“MOP”), Chinese Renminbi (“RMB”), United States dollars (“US\$”) (together, the “Major Currencies”), Malaysian Ringgit (“MYR”) and Indonesian Rupiahs (“IDR”). The Group did not adopt any hedging policy and the Directors consider that the exposure to foreign exchange risks can be mitigated by using the Major Currencies (i) as principal currencies in the Group’s contracts with customers; and (ii) to settle payments with its suppliers and operating expenses where possible. In the event that settlement from the Group’s customer is received in MYR, IDR or a currency other than the Major Currencies, such currency will be retained for payment of operating expenditures only as required and the remaining foreign currency will be converted to HK\$ or US\$ promptly.

## **Capital Expenditures and Commitments**

The Group generally finances its capital expenditures by cash flows generated from its operation and long-term bank borrowings. During the Year 2019, the Group invested approximately HK\$9.6 million in acquisition of vessels and approximately HK\$0.9 million in machinery and equipment, among others.

The Group’s fleet of vessels for marine construction works reduced by 3 units during the Year 2019 to a total of 41 units as at 31 December 2019, with order placed for 3 further vessels which are yet to be delivered.

The Group's committed orders for capital equipment as at 31 December 2019 amounted to approximately HK\$10.7 million and it is intended that such purchases will be financed by bank borrowings.

### **Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year 2019, but has entered into an agreement for the acquisition of 80% equity interest in Dongjie Construction at a consideration of approximately RMB71.4 million (subject to adjustment), the details of which have been disclosed in the announcement dated 23 September 2019 and the circular dated 29 November 2019 published by the Company. The acquisition of Dongjie Construction was subsequently completed on 17 January 2020, upon which Dongjie Construction had become a subsidiary of the Company.

### **Significant Investments Held**

The Group had not held any significant investments during the Year 2019.

### **Charges on Assets**

As at 31 December 2019, plant and equipment with carrying value of (i) approximately HK\$6.7 million (31 December 2018: HK\$17.5 million) were pledged to secure for the Group's bank borrowings; and (ii) approximately HK\$18.5 million (31 December 2018: HK\$21.9 million) were pledged as security for provision of a performance bond and a prepayment surety bond for the Group's project in Macao.

### **Contingent Liabilities**

As at 31 December 2019, the joint operations held by the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business, and the amounts shared by the Group were HK\$21.1 million (31 December 2018: HK\$21.1 million). The performance bonds as at 31 December 2019 are expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantee given on these performance bonds, the Group has no material contingent liabilities.

### **Relationships with Employees, Customers and Suppliers**

The Directors recognise that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners and improving the quality of services to the customers.

### **Employees and remuneration policies**

Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated and its workers are provided with regular training courses on operation of different types of machinery, as well as work safety. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The number of staff of the Group by functions as at 31 December 2019 and 31 December 2018 are as follows:

|                               | <b>As at 31 December</b> |                  |
|-------------------------------|--------------------------|------------------|
|                               | <b>2019</b>              | 2018             |
| Management and administration | <b>16</b>                | 10               |
| Accounting and finance        | <b>3</b>                 | 3                |
| Human resources               | <b>1</b>                 | 1                |
| Project management            | <b>8</b>                 | 8                |
| Project execution             | <b><u>64</u></b>         | <u>71</u>        |
|                               | <b><u><u>92</u></u></b>  | <u><u>93</u></u> |

The total staff costs of the Group (including Directors' emoluments, salaries to staff, direct wages and other staff benefits included provident fund contributions and other staff benefits) for the Year 2019 was approximately HK\$64.3 million (Year 2018: HK\$54.2 million). The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance of the employees by salary revision, bonus and promotion where suitable. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor any difficulty in the recruitment and retention of experienced staff.

The remuneration paid/payable to each member of the Group's senior management, other than Directors, fell within the following bands:

|                                | <b>Year ended 31 December</b> |      |
|--------------------------------|-------------------------------|------|
|                                | <b>2019</b>                   | 2018 |
| Nil to HK\$1,000,000 per annum | –                             | 2    |
| HK\$1,000,001 – HK\$1,500,000  | <b>1</b>                      | –    |

### **Customers and suppliers**

The executive Directors and the Group's management team maintain frequent contact with both public and private sector participants in the construction industry in Hong Kong, Macao and overseas to keep abreast of market developments and potential business opportunities. Having been in operation in Hong Kong since 2001, and with the prior experience of the Group's senior management members in managing similar projects overseas, the Group has developed a good reputation in the construction industry. With the Group's experience in working with PRC state-owned construction enterprises and their branch offices in Hong Kong and overseas, the Group has up-to-date information regarding new business opportunities in infrastructure projects to be undertaken or tendered by such construction

enterprises in Hong Kong, Macao and Southeast Asia. The Directors believe that the Group has maintained and will be able to continue to maintain good relationships with customers, potential customers, suppliers, subcontractors and other parties involved in the business. The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

### **Environmental Policies**

The Group is committed to environment conservation when undertaking its operation and has implemented various systems and measures to minimise the possibility of pollution and to preserve the marine ecological environment, which include but are 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 impacts 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;
- (iv) installing facilities as required to prevent contamination, such as silt curtains to prevent sediment pollution when carrying out land reclamation works and underwater bubble curtains to act as a noise barriers to reduce noise level from marine piling works; and
- (v) sorting excavated materials from dredging and excavation works for recycling use or disposal, and in case of contaminated sediment, disposing of the excavated materials at designated dumping area according to the relevant regulations.

The Group is accredited with ISO14001 and follows the procedures and requirements of the environmental management system in its operation. There had been no sanctions or penalties imposed on the Group for violation of any environmental laws or regulations during the Year 2019.

### **Principal Risk and Uncertainty**

The Group's operation is subject to general economic and market risks which may affect the competition and profitability of marine construction projects. Furthermore, the Group's ability to successfully bid for or execute projects is dependent on its ability to devise effective and efficient work methods and the availability of vessels and equipment. The Group's operation at overseas locations is susceptible to potential political unrests, changes in business, foreign investment, taxation and currency control regulations at such jurisdictions.

## **Significant Events After the Financial Year**

The Group has on 23 September 2019 entered into an agreement for the acquisition of 80% equity interest in Dongjie Construction at a consideration of approximately RMB71.4 million (subject to adjustment), the details of which have been disclosed in the announcement dated 23 September 2019 and the circular dated 29 November 2019 published by the Company. The acquisition of Dongjie Construction was subsequently completed on 17 January 2020, upon which Dongjie Construction had become a subsidiary of the Company.

The Group observed there has been a slow down in the negotiation and tender invitation for construction projects since the Coronavirus Disease 2019 outbreak (“COVID-19 outbreak”) in January 2020 and it is expected the economy in Hong Kong, Macao, the PRC and other countries in which the Group operates will be negatively impacted by the COVID-19 outbreak. However, it is common for governments to adopt expansionary policy and launch infrastructure projects to counteract economic downturn, which may in turn enhance business opportunities in the construction market in the medium to long term. The Group will pay close attention to the development of the epidemic and evaluate its impact on its financial position and operating results.

Other than the above, no significant event has occurred after 31 December 2019 and up to the date of this announcement which would have a material effect on the Group.

## **Corporate Governance Practices**

The Company is committed to maintain a high standard of corporate governance and considers that conducting business in an ethical and responsible manner will generate the highest level of benefits to its shareholders and the Group in the long term. The Board will continuously review and improve the Group’s corporate governance practices in order to uphold a transparent and effective corporate governance function for the Group.

The Company has adopted the code provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”) and has complied with the code provisions throughout the Year 2019.

## **Directors’ Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”) and all the Directors confirmed, upon specific enquiry made, that they complied with the Model Code throughout the Year 2019.

The Company has also established guidelines no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company and there is no incident of non-compliance with such guidelines by the relevant employees throughout the Year 2019.

## **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

## **Management Contracts**

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 during the year ended 31 December 2019.

## **Sufficiency of Public Float**

The Company's controlling shareholder, Qingdao West Coast Holdings (Internation) Limited (the "Offeror"), made a mandatory unconditional cash offer (the "Offer") for all the issued shares of the Company ("Share(s)") not already owned or agreed to be acquired by the Offeror, the details of which were set out in the composite document issued jointly by the Offeror and the Company dated 12 September 2018. Following the close of the Offer on 3 October 2018, 29,065,000 Shares were held by the public (within the meanings of the Listing Rules), representing approximately 3.63% of the total number of issued share capital of the Company. Accordingly, less than 25% of the total number of issued shares (being the minimum prescribed percentage applicable to the Company) were held by the public and the Company did not satisfy the minimum public float requirement as set out under Rule 8.08(1)(a) of the Listing Rules. Trading in Shares on the Stock Exchange had been suspended since 4 October 2018 as the percentage of public float of the Company fell below 15% pursuant to Rule 8.08(1)(b) of the Listing Rules. The Company had been informed by the Offeror that 94,200,000 Shares and 76,735,000 Shares were placed by the Offeror to a number of places on 19 December 2018 and 28 May 2019 respectively (together as the "Placing Down"). Immediately after completion of the Placing Down, 200,000,000 Shares (representing 25% of the total issued share capital of the Company) are held by the public (within the meaning under the Listing Rules). Accordingly, the minimum public float of 25% of the total issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules has been restored and the trading in the Shares has resumed with effect from 4 June 2019.

Details of public float of the Company were set out in the joint announcement issued by the Offeror and the Company dated 3 October 2018, and announcements issued by the Company dated 12 October 2018, 31 December 2018, 30 January 2019, 8 February 2019, 26 April 2019, 2 May 2019 and 3 June 2019.

## **Dividend Policy and Dividends**

The Directors acknowledge the importance of stakeholders' engagement and would contemplate at least two times a year (prior to the announcement of annual and interim results) on the distribution of a dividend. While the Directors endeavour to share the Group's results with shareholders by way of a dividend, the portion and actual amount of distribution out of profits will be determined by the Directors having regard to a variety of factors, including but not limited to the Group's actual and expecting operating results and conditions, gearing level, general financial condition, availability of cash, future plans and funding needs for expansion.



The Directors do not recommended the payment of a dividend for the Year 2019.

As at the date of this announcement, the Board is not aware of any shareholders who have waived or agreed to waive any dividends.

## **REVIEW OF ANNUAL RESULTS**

The audit committee of the Board has reviewed the consolidated financial statements of the Group for the Year 2019 and this announcement. The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## **PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the annual report of the Company for the Year 2019 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board of  
**Prosper Construction Holdings Limited**  
**Liu Luqiang**  
*Chairman and Executive Director*

Hong Kong, 27 March 2020

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