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If you have sold or transferred all your shares in Prosper Construction Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s), or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**(1) CONNECTED TRANSACTIONS IN RELATION TO
THE CONSTRUCTION CONTRACTS
AND
(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN
RELATION TO THE 2017 VESSEL CHARTERING FRAMEWORK AGREEMENT**

Financial adviser to the Company



*Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders*



Unless the context otherwise requires, capitalised terms used on this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 6 to 24 of this circular and a letter from the Independent Board Committee of the Company is set out on page 25 to 26 of this circular. A letter of advice from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 52 of this circular.

A notice convening the EGM to be held at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 30 March 2020 at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday. Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the EGM or any adjournment thereof if they so wish. In the event you attend the EGM after having lodged the form of proxy, it will be deemed to have been revoked.

13 March 2020

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DEFINITIONS

In this circular (other than in the notice of the EGM and the accompanying form of proxy), unless the context otherwise requires, the following expressions have the following meanings:

“2017 Vessel Chartering Framework Agreement”	the agreement entered into between Prosper BVI and Shenzhen Changsheng on 18 July 2017 in relation to the chartering of vessels by the Group from Shenzhen Changsheng
“2020 Vessel Chartering Framework Agreement”	the agreement entered into between Prosper BVI and Shenzhen Changsheng on 18 February 2020 in relation to the chartering of vessels by the Group from Shenzhen Changsheng
“Articles of Association”	the articles of association of the Company as may be amended and restated from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“Business Day”	a day on which banks in Hong Kong are open for business in the ordinary course, other than public holidays, Saturdays and Sundays
“BVI”	the British Virgin Islands
“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 Contracts”	the Landong Construction Contracts and the Lanxi Construction Contracts
“Construction Independent Shareholders”	Shareholders who are not required under the Listing Rules to abstain from voting at the EGM to approve the Construction Contracts and the transactions contemplated thereunder
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“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 non-wholly owned subsidiary of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting to be convened at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 30 March 2020 at 2:30 p.m. or any adjournment thereof for the purpose of considering and, if thought fit, approving (i) the Construction Contracts and the transactions contemplated thereunder; and (ii) the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors, namely, Mr. Cheung Chi Man Dennis, Mr. Wang Yaping and Mr. Cheng Xuezhao established for the purpose of advising (i) the Construction Independent Shareholders in respect of the Construction Contracts and the transactions contemplated thereunder; and (ii) the Vessel Chartering Independent Shareholders in respect of the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise (i) the Independent Board Committee and the Construction Independent Shareholders in respect of the Construction Contracts and the transactions contemplated thereunder; and (ii) the Independent Board Committee and the Vessel Chartering Independent Shareholders in respect of the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps
“Independent Shareholder(s)”	the Construction Independent Shareholders and the Vessel Chartering Independent Shareholders

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“Landong Construction Contracts”	the construction contract dated 13 February 2020 and supplemental contract dated 13 February 2020 entered into between Dongjie Construction and Qingdao Xifa Real Estate with regard to the appointment of Dongjie Construction as the main contractor for the provision of construction services for the Landong Project
“Landong Project”	the construction of seven buildings, a kindergarten and an underground car parking lot at west of Landong Road, east of Jingtaihan Road, north of Huashan First Road and south of Huashan Second Road, Qingdao City, Shandong Province, the PRC* (中國山東省青島市，蘭東路以西、鏡台山路以東、華山一路以北、華山二路以南)
“Lanxi Construction Contracts”	the construction contract dated 13 February 2020 and supplemental contract dated 13 February 2020 entered into between Dongjie Construction and Qingdao West Coast New Area Development with regard to the appointment of Dongjie Construction as the main contractor for the provision of construction services for the Lanxi Project
“Lanxi Project”	the construction of eight buildings and an underground car parking lot at East of Shuicheng Road, west of Lianghe Branch Road, north of Taifa Road and south of Lingang College, in Qingdao City, Shandong Province, the PRC* (中國山東省青島市，水城路以東、兩河支路以西、泰發路以北、臨港學院以南)
“Latest Practicable Date”	6 March 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macao”	the Macao Special Administrative Region of the PRC
“Mr. Cui”	Mr. Cui Qi, an executive Director and a substantial shareholder of the Company
“Ms. Mu”	Ms. Mu Zhen, the spouse of Mr. Cui, who is deemed or taken to be interested in all the Shares which are beneficially owned by Mr. Cui under the SFO
“m ² ”	square metre

DEFINITIONS

“Original Annual Caps”	the annual caps for the on-going transactions contemplated under the 2017 Vessel Chartering Framework Agreement, being HK\$15,660,000 for the year ended 31 December 2017 and HK\$22,300,000 for each of the two years ended 31 December 2019
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China which, for the sole purpose of this circular, shall exclude Hong Kong, Macao and Taiwan
“Proposed Annual Caps”	the annual caps for the transactions contemplated under the 2020 Vessel Chartering Framework Agreement being HK\$26,000,000 for the year ending 31 December 2020 and HK\$27,000,000 for each of the two years ending 31 December 2022
“Prosper BVI”	Prosper Construction Group Ltd. (瑞港建設集團有限公司), an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of the Company
“Qingdao West Coast Holdings”	Qingdao West Coast Holdings (Internation) Limited, an investment holding company incorporated in BVI, 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
“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
“Qingdao West Coast New Area Development”	Qingdao West Coast New Area Development Company Limited* (青島西海岸新區開發建設有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Qingdao West Coast Group
“Qingdao Xifa Real Estate”	Qingdao Xifa Real Estate Company Limited* (青島西發置業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Qingdao West Coast Group
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Shenzhen Changsheng”	Shenzhen Changsheng Marine Engineering Limited* (深圳長盛海事工程有限公司), a company established in the PRC which is owned as to 10% by Mr. Cui and the remaining 90% by a company which is owned as to 90% by Mr. Cui and 10% by Ms. Mu as at the Latest Practicable Date
“Sky Hero”	Sky Hero Global Limited, a company established in BVI and a substantial shareholder of the Company directly holding 12.75% of the issued share capital of the Company, which is indirectly owned as to 60% by Mr. Cui
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Vessel Chartering Independent Shareholders”	Shareholders who are not required under the Listing Rules to abstain from voting at the EGM to approve the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps
“%”	per cent

For the purpose of this circular, 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.

** For identification purpose only. The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names prevail.*



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)

Executive Directors:

Mr. Liu Luqiang (*Chairman*)
Mr. Cui Qi (*Chief executive officer*)
Mr. Ding Hongbin (*Chief operating officer*)
Mr. Yang Zhenshan
Mr. Jiang Shuang

Non-executive Director:

Mr. Wang Xuejun

Independent Non-executive Directors:

Mr. Cheung Chi Man Dennis
Mr. Wang Yaping
Mr. Cheng Xuezhao

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

Unit Nos. 04–05 on 5th Floor
K Wah Centre
191 Java Road, North Point
Hong Kong

13 March 2020

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTIONS IN RELATION TO
THE CONSTRUCTION CONTRACTS
AND**

**(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN
RELATION TO THE 2017 VESSEL CHARTERING FRAMEWORK AGREEMENT**

I. INTRODUCTION

References are made to the announcement of the Company dated 13 February 2020 in relation to the entering into of the Construction Contracts and the transactions contemplated thereunder, and the announcement of the Company dated 18 February 2020 in relation to the renewal of 2017 Vessel Chartering Framework Agreement by entering into the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

The purpose of this circular is to provide you with, among other things, (i) details of the Construction Contracts and the transactions contemplated thereunder; (ii) details of the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed

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Annual Caps; (iii) the letter from the Independent Board Committee to the Independent Shareholders; (iv) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) the notice of EGM.

II. THE CONSTRUCTION CONTRACTS

Reference is made to the announcement of the Company dated 13 February 2020. Dongjie Construction, an indirect non-wholly owned subsidiary of the Company, entered into the Landong Construction Contracts and the Lanxi Construction Contracts with Qingdao Xifa Real Estate and Qingdao West Coast New Area Development, respectively, pursuant to which each of Qingdao Xifa Real Estate and Qingdao West Coast New Area Development agreed to engage Dongjie Construction, and Dongjie Construction agreed to act, as the main contractor for the provision of construction services for the Landong Project and the Lanxi Project, respectively. The Construction Contracts constitute connected transactions of the Company.

A. Principal terms of the Construction Contracts

The principal terms of the Construction Contracts are set out below:

1. *The Landong Construction Contracts*

Date:	13 February 2020
Parties:	(i) Qingdao Xifa Real Estate; and (ii) Dongjie Construction
Subject matter:	Dongjie Construction is responsible for, among other things, the construction of seven buildings, a kindergarten and an underground car parking lot, and the overall project planning and management, including the procurement of materials and installation of machines in connection with the Landong Project
Project location:	West of Landong Road, east of Jingtashan Road, north of Huashan First Road and south of Huashan Second Road, Qingdao City, Shandong Province, the PRC* (中國山東省青島市，蘭東路以西、鏡台山路以東、華山一路以北、華山二路以南)
Total construction area:	Approximately 154,253.20 m ² (of which approximately 99,399.99 m ² for the seven buildings, approximately 5,179.03 m ² for the kindergarten, and approximately 49,674.18 m ² for the underground car parking lot, respectively)

LETTER FROM THE BOARD

Contract sum: RMB538,911,265.92 (equivalent to approximately HK\$592,802,392.51), subject to adjustment in accordance with the relevant provisions in the Landong Construction Contracts

Estimated commencement date of construction: By the end of March 2020

Construction period: 993 days from the commencement date of construction

Payment terms: The contract sum shall be payable in stages, and the amount of each payment shall be calculated based on a designated percentage (in the range of 20% to 60% depending on the category of works) of the actual progress of construction or installation works to be completed by Dongjie Construction and certified by an independent surveyor appointed by Qingdao Xifa Real Estate.

Upon completion and certification of all construction works, 70% of the contract sum shall be payable to Dongjie Construction within 30 days after the issuance of the completion acceptance report.

Thereafter, Dongjie Construction shall submit the completion audit information to Qingdao Xifa Real Estate for confirmation. Upon confirmation by Qingdao Xifa Real Estate, Dongjie Construction and Qingdao Xifa Real Estate shall execute a completion settlement agreement, and 97% of the final contract sum as set out in the completion settlement agreement shall be payable to Dongjie Construction within 60 days after the execution of the completion settlement agreement.

The remaining 3% of the final contract sum shall be retained by Qingdao Xifa Real Estate as quality guarantee fund, which shall be released (without interest) to Dongjie Construction within 14 days after expiry of the two-year warranty period, subject to Dongjie Construction fulfilling its responsibility.

LETTER FROM THE BOARD

Condition precedent: The passing of the relevant resolutions by the Construction Independent Shareholders at the EGM to approve the Construction Contracts and the transactions contemplated thereunder.

2. *The Lanxi Construction Contracts*

Date: 13 February 2020

Parties: (i) Qingdao West Coast New Area Development; and
(ii) Dongjie Construction

Subject matter: Dongjie Construction is responsible for, among other things, the construction of eight buildings and an underground car parking lot, and the overall project planning and management, including the procurement of materials and installation of machines in connection with the Lanxi Project

Project location: East of Shuicheng Road, west of Lianghe Branch Road, north of Taifa Road and south of Lingang College, in Qingdao City, Shandong Province, the PRC* (中國山東省青島市，水城路以東、兩河支路以西、泰發路以北、臨港學院以南)

Total construction area: Approximately 154,488.19 m² (of which approximately 113,285.13 m² for the eight buildings and approximately 41,203.06 m² for the underground car parking lot, respectively)

Contract sum: RMB486,137,182.77 (equivalent to approximately HK\$534,750,901.05), subject to adjustment in accordance with the relevant provisions in the Lanxi Construction Contracts

Estimated commencement date of construction: By the end of March 2020

Construction period: 1068 days from the commencement date of construction

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Payment terms: The contract sum shall be payable in stages, and the amount of each payment shall be calculated based on a designated percentage (in the range of 20% to 60% depending on the category of works) of the actual progress of construction or installation works to be completed by Dongjie Construction and certified by an independent surveyor appointed by Qingdao West Coast New Area Development.

Upon completion and certification of all construction works, 70% of the contract sum shall be payable to Dongjie Construction within 30 days after the issuance of the completion acceptance report.

Thereafter, Dongjie Construction shall submit the completion audit information to Qingdao West Coast New Area Development for confirmation. Upon confirmation by Qingdao West Coast New Area Development, Dongjie Construction and Qingdao West Coast New Area Development shall execute a completion settlement agreement, and 97% of the final contract sum as set out in the completion settlement agreement shall be payable to Dongjie Construction within 60 days after the execution of the completion settlement agreement.

The remaining 3% of the final contract sum shall be retained by Qingdao West Coast New Area Development as quality guarantee fund, which shall be released (without interest) to Dongjie Construction within 14 days after expiry of the two-year warranty period, subject to Dongjie Construction fulfilling its responsibility.

Condition precedent: The passing of the relevant resolutions by the Construction Independent Shareholders at the EGM to approve the Construction Contracts and the transactions contemplated thereunder.

LETTER FROM THE BOARD

B. Basis of determining the contract sums

The contract sum under each of the Construction Contracts was determined through an open tender process and was calculated with reference to the quantities of each type of construction work and the corresponding unit prices, overhead costs and profit element. The construction area of each type of construction work was specified in each of the Construction Contracts in accordance with the measurements in the respective construction layout plans and subject to the final certification by the appointed independent surveyor after completion of the projects. The unit price for each type of construction work varied and was determined with reference to, among other things, (i) Qingdao Materials Price Information* (青島材價) issued by Qingdao Engineering Construction Standard & Cost Association* (青島市工程建設標準造價協會); (ii) the applicable tax rate for construction works in the PRC; and (iii) the Compilation of Qingdao Engineering Data Settlement* (青島市工程資料結算匯編) issued by Qingdao Municipal Bureau of Housing and Urban-Rural Development* (青島市住房和城鄉建設局) for the relevant mark-up rates of labour cost, machinery and equipment cost, management fee and safety and civilised construction fee. Each of the final contract sums shall be finalised after the completion of the projects, subject to further price adjustments to be made in accordance with the terms of adjustment as adopted by the parties under each of the Construction Contracts.

C. Reasons for and benefits of entering into the Construction Contracts

As set out in the interim report of the Company for the six months ended 30 June 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 and the entering into of the Construction Contracts shall allow the Group to accumulate experience in the construction industry 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) are of the view that the terms of the Construction Contracts were entered into after arm's length

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negotiations and reflect normal commercial terms, and that the terms of the Construction Contracts are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

III. THE RENEWAL OF THE 2017 VESSEL CHARTERING FRAMEWORK AGREEMENT

References are made to the announcement of the Company dated 18 July 2017 in relation to the 2017 Vessel Chartering Framework Agreement and the announcement of the Company dated 18 February 2020 in relation to the 2020 Vessel Chartering Framework Agreement. As the 2017 Vessel Chartering Framework Agreement had expired on 31 December 2019, on 18 February 2020, Prosper BVI and Shenzhen Changsheng entered into the 2020 Vessel Chartering Framework Agreement to renew the 2017 Vessel Chartering Framework Agreement for a further term of three years commencing from 1 January 2020 and expiring on 31 December 2022.

A. Principal terms of the 2020 Vessel Chartering Framework Agreement

The principal terms of the 2020 Vessel Chartering Framework Agreement are set out below:

Date

18 February 2020

Parties

- (i) Prosper BVI (as charterer for and on behalf of the Group); and
- (ii) Shenzhen Changsheng (as owner)

Subject matter

Pursuant to the 2020 Vessel Chartering Framework Agreement, the Group will charter vessels from Shenzhen Changsheng for a term of three years. During the term of the 2020 Vessel Chartering Framework Agreement, it is envisaged that from time to time, members of the Group may enter into individual agreements (“**Individual Agreements**”) with Shenzhen Changsheng in respect of the chartering of vessels subject to terms and conditions in compliance with those of the 2020 Vessel Chartering Framework Agreement.

Prosper BVI has an option to renew the 2020 Vessel Chartering Framework Agreement for a further period of three years upon its expiration, and for each exercise of a renewal option by Prosper BVI, Shenzhen Changsheng will be deemed to have granted a new option to Prosper BVI for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders’ approval requirements under the Listing Rules shall have been complied with by the Company.

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Charter period

From 1 January 2020 to 31 December 2022 (both dates inclusive).

Pricing

The prices payable under the 2020 Vessel Chartering Framework Agreement will be determined at arm's length negotiations between the parties to the 2020 Vessel Chartering Framework Agreement and the Individual Agreements and are based on normal commercial terms, and on terms no less favourable to the Group as compared to other charters of similar sized vessels entered into and/or quotations obtained by the Group with different independent counterparties and taking into consideration of the general market conditions at the relevant time. The Group will take into account not less than three quotations from other charterers for other charters of similar sized vessels in the market at the time of the respective Individual Agreements.

Payment terms

Pursuant to the Individual Agreements, the Group will pay Shenzhen Changsheng a charter payment per chartered vessel. Such payment is to be made in Hong Kong dollars. The charter payment during the charter period will be settled by monthly instalments in cash on or before the fifteenth day of each month by the Group in arrears for the immediately preceding month.

Condition precedent

The passing of relevant resolutions by the Vessel Chartering Independent Shareholders at the EGM to approve the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

B. Original Annual Caps and historical transaction amounts

Set out below are the Original Annual Caps and the historical transaction amounts in relation to the chartering of vessels by the Group from Shenzhen Changsheng under the 2017 Vessel Chartering Framework Agreement for the relevant periods:

	For the year ended 31 December		
	2017	2018	2019
	(Audited)	(Audited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Original Annual Caps	15,660,000	22,300,000	22,300,000
Historical transaction amounts			
(rounded to the nearest thousands)	8,120,000	8,965,000	15,105,000 ¹
Utilisation rate	51.9%	40.2%	67.7%

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Note 1: The historical transaction amount for the year ended 31 December 2019 has been adjusted from approximately HK\$12,822,000 as disclosed in the announcement of the Company dated 18 February 2020 to approximately HK\$15,105,000 upon further review during the course of the audit process.

The differences between the Original Annual Caps and the actual transaction amounts during the three years ended 31 December 2019 were primarily attributable to (i) the reduced need of vessels for a project in Macao as the marine work portion of the project was completed sooner than originally anticipated; (ii) the delay of another project in Macao due to changes in design of the project by the customer; (iii) the reduced need of vessels for a project in Pakistan due to unforeseen weather conditions; (iv) the difference between the size and number of expected marine construction projects and the actual awarded marine construction projects of the Group, which in turn affected the availability of the Group's self-owned vessels at the relevant time; and (v) the difference in actual project schedule of marine construction projects.

Set out below are the historical or estimated transaction amounts in relation to the chartering of vessels by the Group from Shenzhen Changsheng for the relevant periods after the expiration of 2017 Vessel Chartering Framework Agreement:

	1 January 2020 to 17 February 2020	1 January 2020 to 31 March 2020
	(Unaudited) <i>HK\$</i>	(Unaudited and estimated) <i>HK\$</i>
Historical/estimated transaction amounts (rounded to the nearest thousands)	1,511,000	2,858,000

As the applicable percentage ratios in respect of the transaction amounts (i) between 1 January 2020 and 17 February 2020 (being the day immediately before the announcement of the Company dated 18 February 2020 in relation to the entering into of the 2020 Vessel Chartering Framework Agreement); (ii) between 1 January 2020 and the Latest Practicable Date; and (iii) between 1 January 2020 and the date of the EGM are all less than 5%, and the total consideration of the transactions during each of the respective periods are all less than HK\$3,000,000, the above transactions were fully exempted from reporting, announcement, annual review and Vessel Chartering Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules as at the end of the respective periods.

LETTER FROM THE BOARD

C. Proposed Annual Caps

Set out below are the Proposed Annual Caps for the transactions contemplated under the 2020 Vessel Chartering Framework Agreement for the relevant periods:

	1 January 2020 to 31 December 2020 HK\$	1 January 2021 to 31 December 2021 HK\$	1 January 2022 to 31 December 2022 HK\$
Proposed Annual Caps	26,000,000	27,000,000	27,000,000

The Proposed Annual Caps were determined with reference to:

- (i) the difference between the Original Annual Caps and the historical transaction amounts under the 2017 Vessel Chartering Framework Agreement for each of the three years ended 31 December 2019, in particular, the deferred vessel chartering fee of approximately HK\$11.8 million for the project in Macao, which was delayed due to changes in project design and is expected to be resumed during the year ending 31 December 2020;
- (ii) the expected increase in demand of vessels in light of the Group's future plan to undertake more marine construction projects located in, among others, Macao, Pakistan, Vietnam and Cambodia, including but not limited to:
 - (a) three on-going projects which are expected to incur a total vessel chartering fee of approximately HK\$21.5 million during the three years ending 31 December 2022; and
 - (b) four potential projects which, if materialised, are expected to incur a total vessel chartering fee of approximately HK\$58.5 million during the three years ending 31 December 2022;
- (iii) the expected monthly charter payment per vessel based on the latest quotations from Shenzhen Changsheng; and
- (iv) the prevailing market prices of chartering similar vessels.

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

LETTER FROM THE BOARD

D. Reasons for and benefits of entering into the 2020 Vessel Chartering Framework Agreement

Since the number of vessels currently owned by the Group that are available for imminent deployment outside of Hong Kong is inadequate to support the Group's demand for vessels under its on-going and upcoming projects, the 2020 Vessel Chartering Framework Agreement allows the Group to deploy vessels to its marine construction projects in an efficient and cost-effective manner, without needing to resort to chartering vessels from other third party owners. The Group has maintained a stable and amicable business relationship with Shenzhen Changsheng since March 2015. As the term of the 2017 Vessel Chartering Framework Agreement had expired on 31 December 2019, the Directors consider that to continue the chartering of vessels from Shenzhen Changsheng by entering into the 2020 Vessel Chartering Framework Agreement will be beneficial to the Group's development and allow the Group to undertake an increasing number of marine construction projects in the future.

The Directors (other than Mr. Cui, an executive Director, who has abstained from voting on the relevant board resolutions due to conflict of interest) consider that the terms of the 2020 Vessel Chartering Framework Agreement are on normal commercial terms determined on an arm's length basis and are entered into in the ordinary and usual course of business of the Group, which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

E. Internal Control

The Group has adopted the following internal control procedures to govern the continuing connected transactions of the Group under the 2020 Vessel Chartering Framework Agreement and the Proposed 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 2020 Vessel Chartering Framework Agreement to ensure that the Proposed Annual Caps will not be exceeded;
- (ii) the vessel and equipment department and contract department of the Company will compare the vessel chartering price with other charters of similar sized vessels entered into and/or quotations obtained by the Group with independent third party suppliers to ensure the fees charged by Shenzhen Changsheng are fair and reasonable and no less favourable to the Group than those offered to independent third parties;
- (iii) the vessel and equipment department and project department of the Company will submit the vessel chartering plan, price comparison report, and status report to the executive Directors before entering into Individual Agreements;

LETTER FROM THE BOARD

- (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 2020 Vessel Chartering Framework Agreement have been approved by the Board; (b) the transactions have been entered into in accordance with the 2020 Vessel Chartering Framework Agreement; and (c) the Proposed 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 2020 Vessel Chartering 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 2020 Vessel Chartering 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 2020 Vessel Chartering Framework Agreement and the prices paid by the Company will not be less favourable than those paid under transactions with independent third parties.

IV. FUTURE PLAN AND UPDATE ON POTENTIAL AND ON-GOING PROJECTS OF THE GROUP

With reference to the Company's circular dated 29 November 2019 in respect of its three potential general construction projects with a total estimated contract value of approximately RMB1,100 million, one of the projects in relation to the construction of office premises is expected to commence tendering procedures in or around the second quarter of 2020, while the remaining two projects in relation to the construction of a nursing home complex and residential buildings are in the process of finalising the procedures for obtaining the relevant land use rights by the customers and are expected to commence tendering procedures in or around the third to fourth quarter of 2020.

In respect of the Company's ten potential marine construction projects with a total estimated contract value of approximately HK\$1,200 million, four of the projects are currently under initial stage of negotiation; five of the projects are awaiting tender invitations by customers after the submission of price indication and technical solution report by the Group; and the remaining project has been withdrawn by the Group due to the mismatch of vessel and equipment capacity. These remaining nine potential marine construction projects with a total estimated contract value of approximately HK\$1,000 million are expected to be open for tender submission in or around the second to third quarter of 2020.

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In addition, the Group had eight marine construction projects and one vessel leasing project on hand with a total contract amount of approximately more than HK\$1,800 million as disclosed in the Company's circular dated 29 November 2019. Among these projects, three of them with a total contract value of approximately HK\$113.2 million had been completed during 2019. Set out below are the details and status of the remaining six on-going projects as at the Latest Practicable Date:

Customer	Background of customer	Length of relationship with the Group	Project nature	Project location	Contract/Construction period	Total contract value (HK\$' million)	Service fees charging basis	Status as at the Latest Practicable Date
Customer A	Customer A is controlled by the Ministry of Shipping under the government of the People's Republic of Bangladesh, mainly responsible for the policy of operation, administration, finance and development of the Mongla Port.	3 years	Marine construction	Bangladesh	18 months	557.0	According to the project stages or progress indicators depending on the category of work	Construction work has been commenced in December 2019 and the project is expected to be completed by the end of 2021.
Customer B	Customer B is controlled by the Changjiang Management Department of the Ministry of Transport of the PRC* (中國交通運輸部長江航務管理局), mainly responsible for planning, construction, operation, and maintenance of a main channel in Changjiang located in the PRC.	3 years	Marine construction	Macao	21 months	518.1	According to the project stages or progress indicators depending on the category of work	Construction work has been commenced in October 2018 and the project is expected to be completed by around mid-2021.
Customer C	Customer C is a construction enterprise located in Fujian Province of the PRC, and primarily engages in municipal public works, housing construction, highway engineering and dydramic and hydro-power works.	3 years	Marine construction	Macao	21 months	263.3	According to the project stages or progress indicators depending on the category of work	Construction work has been commenced in October 2018 and the project is expected to be completed by around mid-2021.
Customer D	Customer D is a comprehensive investment and construction group located in the PRC, and mainly engages in marine construction and municipal construction works.	8 years	Vessel leasing	Vietnam	24 months	269.7	According to the workload of crew onboard and progress indicator depending on the category of work	The leasing of vessels has been commenced in January 2019 and will end by the December 2020.
Customer E	Customer E is a company registered in Cambodia and a subsidiary of a Hong Kong company listed on the Main Board of Stock Exchange, and mainly engages in businesses including but not limited to real estate, construction, smart home and smart communities.	1 year	Marine construction	Cambodia	6 months	18.2	According to the project stages or progress indicators depending on the category of work	Construction work has been commenced in January 2020 and the project is expected to be completed by end of 2020.
Customer F	Customer F is a company specialised in the survey and design of ports in the PRC, and mainly engages in the planning, consulting, survey, design, supervision, cost estimation and contracting of marine and general construction projects.	8 years	Marine construction	Pakistan	24 months	143.4	According to the project stages or progress indicators depending on the category of work	Tender has been awarded to the Group in October 2019, and the construction work is expected to commence in the second half of 2020.
Total						1,769.7		

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Further to the Group's acquisition of 80.0% equity interests in Dongjie Construction in January 2020, it is the Directors' belief that the Company will be able to enjoy synergy by taking up more business opportunities in the construction industry, in particular, by submitting tenders and participating in projects that involve both general and marine construction works in the capacity as an Engineering, Procurement and Construction ("EPC") main contractor, which are often of larger scale in terms of contract value. It is the Company's future plan and intention to explore and submit tenders for potential EPC projects in Macao and certain Southeast Asian countries upon the fulfillment and compliance of certain local administration and registration procedures, which will benefit the Company by strengthening its presence in those regions and its position among its competitors, and hence, improve its probability in winning the tenders.

The Directors confirm that the Company will continue to develop and expand its general construction business and marine construction and vessel leasing businesses at the same time, and has not entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether expressed or implied, or any negotiation (whether concluded or not), and has no intention, to dispose of or downsize its marine construction and vessel leasing businesses.

V. 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.

Dongjie Construction

Dongjie Construction is a company established in the PRC and an indirect non-wholly owned subsidiary of the Company. It 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 anti-corrosion insulation works, steel structure engineering, and building mechanical and electrical installation.

Prosper BVI

Prosper BVI is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of the Company. It acts as the intermediate holding company of the Group.

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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).

Qingdao Xifa Real Estate

Qingdao Xifa Real Estate is a company established in the PRC and an indirect wholly-owned subsidiary of Qingdao West Coast Group. It principally engages in, amongst others, major infrastructure construction in Qingdao West Coast New Area* (青島西海岸新區), arrangement and development of tier 1 land reserves, investment in and construction management of property development and related industries.

Qingdao West Coast New Area Development

Qingdao West Coast New Area Development is a company established in the PRC and an indirect wholly-owned subsidiary of Qingdao West Coast Group. It principally engages in, amongst others, major infrastructure construction in Qingdao West Coast New Area* (青島西海岸新區), arrangement and development of tier 1 land reserves, investment in and construction management of property development and related industries.

ShenZhen Changsheng

Shenzhen Changsheng is a company established in the PRC which was owned as to 10% by Mr. Cui and the remaining 90% by a company which is owned as to 90% by Mr. Cui and 10% by his spouse Ms. Mu as at the Latest Practicable Date. It is principally engaged in the provision of marine construction services and the leasing and trading of vessels.

VI. LISTING RULES IMPLICATIONS

A. The connected transactions in relation to the Construction Contracts

As at the Latest Practicable Date, Qingdao Xifa Real Estate and Qingdao West Coast New Area Development are both indirect wholly-owned subsidiaries of Qingdao West Coast Group, which is the ultimate holding company and a controlling shareholder of the Company and indirectly holds 62.25% of the issued share capital of the Company. Qingdao Xifa Real Estate and Qingdao West Coast New Area Development are therefore connected persons of the Company and the Construction Contracts constitute 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, a controlling shareholder of the Company directly holding 62.25% of the issued

LETTER FROM THE BOARD

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.

Pursuant to Rule 14A.81 of the Listing Rules, the Landong Construction Contracts and the Lanxi Construction Contracts will be aggregated as the transactions contemplated under each of the Construction Contracts are of the same nature and entered into with companies controlled by Qingdao West Coast Group. As one or more of the applicable percentage ratios in respect of the Construction Contracts exceed 5%, the entering into of the Construction Contracts and the transactions contemplated thereunder are subject to the reporting, announcement and Construction Independent Shareholders' approval requirements under the Listing Rules.

B. The continuing connected transactions in relation to the renewal of the 2017 Vessel Chartering Framework Agreement

As at the Latest Practicable Date, Shenzhen Changsheng is owned as to 10% by Mr. Cui and 90% by a company which is owned as to 90% by Mr. Cui and 10% by his spouse Ms. Mu, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2020 Vessel Chartering Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Mr. Cui, being an executive Director, has abstained from voting on the relevant board resolutions of the Company. Sky Hero, a substantial shareholder of the Company directly holding 12.75% of the issued share capital of the Company, which is indirectly owned as to 60% by Mr. Cui 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 Proposed Annual Caps exceed 5%, the transactions contemplated under the 2020 Vessel Chartering Framework Agreement are subject to the reporting, annual review, announcement and Vessel Chartering Independent Shareholders' approval requirements under the Listing Rules.

Save as disclosed above, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, none of the Shareholders and any of their respective close associates has any material interest in the Construction Contracts or the 2020 Vessel Chartering Framework Agreement and is required to abstain from voting in respect of the shareholders' resolutions to approve the same.

VII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Cheung Chi Man Dennis, Mr. Wang Yaping and Mr. Cheng Xuezhao, being all the independent non-executive Directors, has been formed to advise (i) the Construction Independent Shareholders in respect of the terms of the

LETTER FROM THE BOARD

Construction Contracts and the transactions contemplated thereunder; and (ii) the Vessel Chartering Independent Shareholders in respect of the terms of the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

In addition, Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

VIII. EGM

The EGM will be convened by the Company for (i) Construction Independent Shareholders to consider, and if thought fit, approve the Construction Contracts and the transactions contemplated thereunder; and (ii) the Vessel Chartering Independent Shareholders to consider, and if thought fit, approve the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, (i) save and except for Qingdao West Coast Holdings and its associates, no other Shareholder has a material interest in the transactions contemplated under the Construction Contracts such that he or she or it shall abstain from voting at the EGM on the resolution to approve the Construction Contracts and the transactions contemplated thereunder; and (ii) save and except for Sky Hero and its associates, no other Shareholder has a material interest in the 2020 Vessel Chartering Framework Agreement such that he or she or it shall abstain from voting at the EGM on the resolution to approve the same, the transactions contemplated thereunder and the Proposed Annual Caps.

A notice convening the EGM to be held at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 30 March 2020 at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday. Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the EGM or any adjournment thereof if they so wish. In the event you attend the EGM after having lodged the form of proxy, it will be deemed to have been revoked.

In order to qualify for the right to attend and vote at the EGM or any adjournment thereof, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 24 March 2020.

LETTER FROM THE BOARD

IX. RECOMMENDATION

The Independent Board Committee, having considered the advice from the Independent Financial Adviser, considers that (i) the terms of the Construction Contracts are fair and reasonable; the Construction Contracts and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and the transactions contemplated thereunder the Construction Contracts are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the 2020 Vessel Chartering Framework Agreement and the Proposed Annual Caps are fair and reasonable; the 2020 Vessel Chartering 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; and the transactions contemplated under the 2020 Vessel Chartering Framework Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee has recommended the Independent Shareholders to vote in favour of the resolutions in respect of the (i) the Construction Contracts and the transactions contemplated thereunder; and (ii) the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps to be proposed at the EGM.

The Directors (excluding the Directors who had abstained from voting on the relevant board resolutions) consider that (i) the terms of the Construction Contracts are fair and reasonable; the Construction Contracts and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and the transactions contemplated thereunder the Construction Contracts are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the 2020 Vessel Chartering Framework Agreement and the Proposed Annual Caps are fair and reasonable; the 2020 Vessel Chartering 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; and the transactions contemplated under the 2020 Vessel Chartering Framework Agreement are in the interests of the Company and the Shareholders as a whole, and as such, it recommends the Independent Shareholders to vote in favour of the ordinary resolutions to approve (i) the Construction Contracts and the transactions contemplated thereunder; and (ii) the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps at the EGM.

X. GENERAL

Completion is subject to the necessary approval of (i) the Construction Contracts and the transactions contemplated thereunder; and (ii) the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps having been obtained from the Independent Shareholders. As such, the Construction Contracts and the 2020 Vessel Chartering Framework Agreement may or may not materialise. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

LETTER FROM THE BOARD

XI. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in (i) the letter from the Independent Board Committee; (ii) the letter of advice from the Independent Financial Adviser; and (iii) the appendix to this circular.

Yours faithfully,
On behalf of the Board
Prosper Construction Holdings Limited
Jiang Shuang
Executive Director



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)

13 March 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE CONSTRUCTION CONTRACTS
AND
(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN
RELATION TO THE 2017 VESSEL CHARTERING FRAMEWORK AGREEMENT**

We refer to the circular of Prosper Construction Holdings Limited (the “**Company**”) dated 13 March 2020 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to advise the Construction Independent Shareholders in respect of the Construction Contracts and the Vessel Chartering Independent Shareholders in respect of the 2020 Vessel Chartering Framework Agreement, details of which are set out in the letter from the Board in the Circular. Red Sun Capital Limited has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the same.

Having considered the information set out in the letter from the Board as well as the major factors, reasons and opinion stated in the letter of advice from the Independent Financial Adviser, we concur with the opinion of the Independent Financial Adviser that (i) the terms of the Construction Contracts are fair and reasonable; the Construction Contracts and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and the transactions contemplated thereunder the Construction Contracts are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the 2020 Vessel Chartering Framework Agreement and the Proposed Annual Caps are fair and reasonable; the 2020 Vessel Chartering 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; and the transactions contemplated under the 2020 Vessel Chartering Framework Agreement are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the Construction Contracts and the transactions contemplated thereunder; and (ii) the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,
the Independent Board Committee of
Prosper Construction Holdings Limited
Mr. Cheung Chi Man Dennis, Mr. Wang Yaping and Mr. Cheng Xuezhao
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders for inclusion in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

13 March 2020

*To: The Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

**(I) CONNECTED TRANSACTIONS IN RELATION TO
THE CONSTRUCTION CONTRACTS; AND
(II) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN
RELATION TO THE 2017 VESSEL CHARTERING FRAMEWORK AGREEMENT**

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the Construction Contracts and the transactions contemplated thereunder; and (ii) the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps, which constitute connected transactions and continuing connected transactions, respectively, for the Company under Chapter 14A of the Listing Rules (together the “**Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 13 March 2020, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Construction Contracts

On 13 February 2020, Dongjie Construction, an indirect non-wholly owned subsidiary of the Company, entered into (i) the Landong Construction Contracts with Qingdao Xifa Real Estate, pursuant to which Qingdao Xifa Real Estate agreed to engage Dongjie Construction, and Dongjie Construction agreed to act, as the main contractor for the provision of construction services for the Landong Project at a contract sum of RMB538,911,265.92 (equivalent to approximately HK\$592,802,392.51); and (ii) Lanxi Construction Contracts with Qingdao West Coast New Area Development, pursuant to which Qingdao West Coast New Area Development agreed to engage Dongjie Construction, and Dongjie Construction agreed

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to act, as the main contractor for the provision of construction services for the Lanxi Project at a contract sum of RMB486,137,182.77 (equivalent to approximately HK\$534,750,901.05), respectively.

The 2020 Vessel Chartering Framework Agreement

As set out from the Letter from the Board, the 2017 Vessel Chartering Framework Agreement entered into by Prosper BVI, a direct wholly-owned subsidiary of the Company, and Shenzhen Changsheng* (深圳長盛海事工程有限公司), a connected person of the Group, expired on 31 December 2019. In view of this, on 18 February 2020, Prosper BVI and Shenzhen Changsheng renewed the 2017 Vessel Chartering Framework Agreement by entering into the 2020 Vessel Chartering Framework Agreement for a further term of three years commencing from 1 January 2020 and expiring on 31 December 2020.

II. IMPLICATIONS ON THE LISTING RULES

As at the Latest Practicable Date, Qingdao Xifa Real Estate and Qingdao West Coast New Area Development are both indirect wholly-owned subsidiaries of Qingdao West Coast Group, which is the ultimate holding company and a controlling shareholder of the Company and indirectly holds 62.25% of the issued share capital of the Company. Qingdao Xifa Real Estate and Qingdao West Coast New Area Development are therefore connected persons of the Company and the Construction Contracts constitute 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 due to conflict of interest. Qingdao West Coast Holdings, 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.

Pursuant to Rule 14A.81 of the Listing Rules, the Landong Construction Contracts and the Lanxi Construction Contracts will be aggregated as the transactions contemplated under each of the Construction Contracts are of the same nature and entered into with companies controlled by Qingdao West Coast Group. As one or more of the applicable percentage ratios in respect of the Construction Contracts will exceed 5%, the entering into of the Construction Contracts and the transactions contemplated thereunder are subject to the reporting, announcement, and Construction Independent Shareholders' approval requirements under the Listing Rules.

As at the Latest Practicable Date, Shenzhen Changsheng is owned as to 10% by Mr. Cui and 90% by a company which is owned as to 90% by Mr. Cui and 10% by his spouse Ms. Mu, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2020 Vessel Chartering Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Mr. Cui, being an executive Director, has abstained from voting on the relevant board resolutions of the Company due to conflict of interest. Sky Hero, a substantial shareholder of the Company directly holding 12.75%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the issued share capital of the Company, which is indirectly owned as to 60% by Mr. Cui, will be required to abstain from voting on the relevant shareholders' resolution of the Company at the EGM. Since one or more of the applicable percentage ratios on an annual basis in respect of the Proposed Annual Caps exceed 5%, the transactions contemplated under the 2020 Vessel Chartering Framework Agreement are subject to the reporting, annual review, announcement and Vessel Chartering Independent Shareholders' approval requirements.

III. THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. Liu Luqiang as executive Director and chairman, Mr. Cui Qi as executive Director and chief executive officer, Mr. Ding Hongbin as executive Director and chief operating officer, Mr. Yang Zhenshan and Mr. Jiang Shuang as executive Directors; Mr. Wang Xuejun as non-executive Director; and Mr. Cheung Chi Man Dennis, Mr. Wang Yaping and Mr. Cheng Xuezhao as independent non-executive Directors.

The EGM will be convened by the Company for the Construction Independent Shareholders and the Vessel Chartering Independent Shareholders to consider, and if thought fit, approve the Construction Contracts and the Vessel Chartering Framework Agreement, respectively. To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for (i) Qingdao West Coast Holdings on the Construction Contracts; and (ii) Sky Hero on the 2020 Vessel Chartering Framework Agreement, and their respective associates, no other Shareholder has a material interest in the Transactions, such that he or she or it shall abstain from voting at the EGM on the resolution to approve the Transactions.

The Independent Board Committee comprising all the aforementioned independent non-executive Directors has been formed to advise the Construction Independent Shareholders and the Vessel Chartering Independent Shareholders as to whether (i) the terms of the Construction Contracts and the Vessel Chartering Framework Agreement are fair and reasonable; (ii) the Construction Contracts and the Vessel Chartering Framework Agreement are on normal commercial terms or better and in the ordinary and usual course of the business of the Group; (iii) the Construction Contracts and the Vessel Chartering 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 Construction Independent Shareholders and the Vessel Chartering Independent Shareholders.

We, Red Sun, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee, the Construction Independent Shareholders and the Vessel Chartering Independent Shareholders in these respects and to give our opinion in relation to the Construction Contracts and the Vessel Chartering Framework Agreement, respectively, for the Independent Board Committee's consideration when making their recommendation to the Construction Independent Shareholders and the Vessel Chartering Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IV. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, the Qingdao West Coast Group, Sky Hero and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Transactions. In the previous two years, save for our appointment as the independent financial adviser to the Company in relation to the unconditional mandatory cash offer by Qingdao West Coast Holdings to acquire all the issued shares of the Company (other than those already owned by it), details of which are set out in the composite document dated 12 September 2018, we have not acted as an independent financial adviser to the Company for any transaction. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

V. BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group, the Qingdao West Coast Group, Shenzhen Changsheng, Sky Hero and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date.

We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group, Qingdao West Coast Group, Shenzhen Changsheng and Sky Hero made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Company, Qingdao West Coast Group, Shenzhen Changsheng, Sky Hero and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of (i) the Construction Contracts; and (ii) the 2020 Vessel Chartering Framework Agreement and the Proposed Annual Caps, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

VI. BACKGROUND INFORMATION OF THE TRANSACTIONS

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the terms of (i) the Construction Contracts; and (ii) the 2020 Vessel Chartering Framework Agreement and the Proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background information on the Group

Principal business activities of the Group

The Group is principally engaged in (i) the provision of marine and general construction services, which include dredging and non-dredging ground treatment works, reclamation works, pier construction, offshore facilities foundation works and marine transportation to both the public and private sectors; and to a lesser extent; and (ii) the leasing and trading of vessels.

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Summary of the Group's operating results by business activities

Set out below is a summary of (i) the unaudited consolidated financial statement of profit or loss as extracted from the interim report of the Group for the six months ended 30 June 2019 (the “**2019 Interim Report**”); and (ii) the audited consolidated financial statement of profit or loss as extracted from the annual report of the Group for the year ended 31 December 2018 (the “**2018 Annual Report**”):

	For the six months ended 30 June		For the year ended 31 December	
	2019	2018	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue				
Rendering of services				
— Marine construction works	79,987	91,995	134,510	469,504
— Leasing of vessels and provision of auxiliary marine related services	<u>91,772</u>	<u>165,688</u>	<u>250,066</u>	<u>163,843</u>
Total revenue	171,759	257,683	384,576	633,347
Gross profit	17,301	44,376	71,300	94,307
Profit for the year/period attributable to owners of the Company	6,995	30,695	30,415	64,470

For the six months ended 30 June 2019 and 2018

As set out in the 2019 Interim Report, the Group recorded total revenue of approximately HK\$171.8 million for the six months ended 30 June 2019, representing a decrease of approximately 33.3% or HK\$85.9 million as compared to the total revenue of approximately HK\$257.8 million for the six months ended 30 June 2018. Such decrease was mainly due to (i) the decrease in revenue from leasing of vessels and equipment as the lease period of a key leasing project in Pakistan came to an end during the six months ended 30 June 2019; and (ii) the slowdown in the progress of the engineering, procurement and construction project (the “**EPC Project**”) for an electricity generation facility in Macao as a result of certain changes in the construction design by the project owner.

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The gross profit of the Group decreased by approximately HK\$27.1 million or 61.0% from approximately HK\$44.4 million for the six months ended 30 June 2018 to approximately HK\$17.3 million for the six months ended 30 June 2019. The relatively higher percentage decrease in gross profit as compared to the percentage decrease in revenue was mainly attributable to the additional overhead costs incurred in relation to the delay of the EPC Project in Macao.

The profit for the period attributable to Shareholders decreased by approximately HK\$23.7 million or 77.2% from approximately HK\$30.7 million for the six months ended 30 June 2018 to approximately HK\$7.0 million for the six months ended 30 June 2019. Such decrease was mainly attributable to the combined effect of (i) the decrease in revenue; and (ii) the additional overhead costs incurred for the EPC Project as mentioned above.

For the years ended 31 December 2018 and 2017

As set out in the 2018 Annual Report, the Group recorded total revenue of approximately HK\$384.6 million for the year ended 31 December 2018, representing a decrease of approximately 39.3% or HK\$248.7 million as compared to the total revenue of approximately HK\$633.3 million for the year ended 31 December 2017. Such decrease in revenue was mainly due to the delay in progress in the Group's than ongoing project in Macao in relation to marine construction works.

The gross profit of the Group, decreased by approximately HK\$23.0 million or 24.4% from approximately HK\$94.3 million for the year ended 31 December 2017 to approximately HK\$71.3 million for the year ended 31 December 2018, whereas the gross profit margin increased to 18.5% for the year ended 31 December 2018 from 14.9% for the year ended 31 December 2017. The increase in gross profit margin was mainly due to a higher proportion of the Group's revenue from leasing of vessels and equipment and provision of auxiliary marine related services, which generally yielded a higher profit margin.

The profit for the year attributable to Shareholders decreased by approximately HK\$34.1 million or 52.9% from approximately HK\$64.5 million for the year ended 31 December 2017 to approximately HK\$30.4 million for the year ended 31 December 2018. Such decrease was mainly attributable to the combined effect of (i) the decrease in revenue as mentioned above; (ii) the corresponding decrease in cost of sales; and (iii) the increase in impairment losses on financial assets of approximately HK\$8.0 million and other administrative expenses of approximately HK\$2.1 million.

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Summary of consolidated statement of financial position of the Group

	As at 30 June 2019	As at 31 December 2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	899,518	819,353	865,869
Total liabilities	390,145	319,673	361,453
Total equity attributable to owners of the Company	509,373	499,680	504,416

As at 30 June 2019, the Group's total assets increased to approximately HK\$899.5 million from approximately HK\$819.4 million at 31 December 2018, which was mainly attributable to the increase in cash and cash equivalents of approximately HK\$73.4 million. It was also noted that the Group's total liabilities increased to approximately HK\$390.1 million as at 30 June 2019 from approximately HK\$100.9 million as at 31 December 2018, which was mainly attributable to the increase in contract liabilities of approximately HK\$98.8 million. As a result of the above, the total equity attributable to owners of the Company increased slightly from approximately HK\$499.7 million as at 31 December 2018 to approximately HK\$509.4 million as at 30 June 2019.

The Group's total assets decreased from approximately HK\$865.9 million as at 31 December 2017 to approximately HK\$819.4 million as at 31 December 2018. The decrease was mainly due to the decrease in cash and cash equivalents from approximately HK\$193.3 million as at 31 December 2017 to approximately HK\$106.7 million as at 31 December 2018. The Group's total liabilities also decreased from approximately HK\$361.5 million as at 31 December 2017 to approximately HK\$319.7 million as at 31 December 2018. Such decrease was mainly due to the decrease in borrowings from approximately HK\$172.8 million as at 31 December 2017 to approximately HK\$139.7 million as at 31 December 2018.

2. Background information on the parties to the Transactions

The Group

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. For further information on the Group's future plan, potential and on-going projects, please refer to the section headed "IV. Future plan and update on potential and on-going projects of the Group" in the Letter from the Board.

Parties to the Construction Contracts

(i) *Dongjie Construction*

Dongjie Construction is a company established in the PRC and an indirect non-wholly owned subsidiary of the Company. It 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.

(ii) *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).

(iii) *Qingdao Xifa Real Estate*

Qingdao Xifa Real Estate is a company established in the PRC and an indirect wholly-owned subsidiary of Qingdao West Coast Group. It principally engages in, amongst others, major infrastructure construction in Qingdao West Coast New Area* (青島西海岸新區), arrangement and development of tier 1 land reserves, investment in and construction management of property development and related industries.

(iv) *Qingdao West Coast New Area Development*

Qingdao West Coast New Area Development is a company established in the PRC and an indirect wholly-owned subsidiary of Qingdao West Coast Group. It principally engages in, amongst others, major infrastructure construction in Qingdao West Coast New Area* (青島西海岸新區), arrangement and development of tier 1 land reserves, investment in and construction management of property development and related industries.

Parties to the 2020 Vessel Chartering Framework Agreement

(i) *Prosper BVI*

Prosper BVI is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of the Company. It acts as the intermediate holding company of the Group.

(ii) *Shenzhen Changsheng*

Shenzhen Changsheng is a company established in the PRC which was owned as to 10% by Mr. Cui and the remaining 90% by a company which was owned as to 90% by Mr. Cui and 10% by Ms. Mu as at the Latest Practicable Date. It is principally engaged in the provision of marine construction services and the leasing and trading of vessels.

3. Overview of the economy and construction industry in the PRC

As disclosed on the website of the National Bureau of Statistics of China (<http://data.stats.gov.cn>), year-on-year (“YoY”) growth in gross domestic products (“GDP”) in constant prices for the PRC in 2018 was approximately 6.6% (2017: 6.8%). Pursuant to the Thirteenth Five-year Plan* (十三五規劃) introduced by the PRC government, the annual GDP growth target for the five years commenced from 2016 was approximately 6.5%. However, such target was subsequently adjusted down to 6.0% by the PRC government in March 2019. As stated in the Thirteenth Five Year Plan, the PRC government targets to, among others, (i) accelerate the agricultural population urbanisation* (加快農業轉移人口市民化) by implementing three main strategies, namely further reform of the household registration system* (深化戶籍制度改革), implementation of the residence permit system* (實施居住證制度) and improvement on the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii) optimise urbanisation layout* (優化城鎮化佈局和形態) by implementing three main strategies, namely the acceleration of the construction and advancement of urban agglomeration* (加快城市群建設發展), enhance the drive of activities by central cities* (增強中心城市輻射帶動功能) and speeding up of the development of small and medium-sized cities and characteristic towns* (加快發展中小城市和特色鎮).

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The table below sets out a summary of the PRC's key economic indicators from 2015 to 2018:

	2015	2016	2017	2018
GDP at constant prices (RMB trillions) (Note)	686.0	732.2	781.7	833.0
YoY change in nominal GDP	6.9%	6.7%	6.8%	6.6%
GDP from the construction sector at constant prices (RMB trillions) (Note)	46.6	50.0	51.8	54.1
YoY change in GDP from the construction sector	11.1%	7.2%	3.5%	4.5%

Source: National Bureau of Statistics of China

Note: Constant prices refer to the price base year of 2015

GDP from the construction sector in the PRC (at constant prices) increased from approximately RMB46.6 trillion in 2015 to approximately RMB54.1 trillion in 2018, which was attributable to, among other factors, various urbanisation and development policies under the Thirteenth Five Year Plan as set out above, the continued development of major PRC regions and cities under various PRC government initiatives, such as the Coordinated Development of Beijing-Tianjin-Hebei* (京津冀協同發展), the development plan for Guangdong-Hong Kong-Macao Greater Bay Area* (粵港澳大灣區) and the Integration Plan of the Yangtze River Delta Region* (長江三角洲區域一體化). Having considered the above, the Company is of the view that the PRC government policies will continue to facilitate the economic development of various PRC regions as a whole, thereby driving the demand for construction works in the long term.

VII. PRINCIPAL FACTORS AND REASONS CONSIDERED — CONSTRUCTION CONTRACTS

1. Principal terms of the Construction Contracts

The Landong Construction Contracts

Date: 13 February 2020

Parties: (a) Qingdao Xifa Real Estate; and
(b) Dongjie Construction

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- Subject matter: Dongjie Construction is responsible for, among other things, the construction of seven buildings, a kindergarten, an underground car parking lot, and the overall project planning and management, including the procurement of materials and installation of machines in connection with the Landong Project
- Project location: West of Landong Road, east of Jingtai Shan Road, north of Huashan First Road and south of Huashan Second Road, Qingdao City, Shandong Province, the PRC* (中國山東省青島市，蘭東路以西、鏡臺山路以東、華山一路以北、華山二路以南)
- Total construction area: Approximately 154,253.20 m² (of which approximately 99,399.99 m² for the seven buildings, approximately 5,179.03 m² for the kindergarten, and approximately 49,674.18 m² for the underground car parking lot, respectively)
- Contract sum: RMB538,911,265.92 (equivalent to approximately HK\$592,802,392.51), subject to adjustment in accordance with the relevant provisions in the Landong Construction Contracts
- Estimated commencement date of construction: By the end of March 2020
- Construction period: 993 days from the commencement date of construction
- Payment terms: The contract sum shall be payable in stages, and the amount of each payment shall be calculated based on a designated percentage (in the range of 20% to 60% depending on the category of works) of the actual progress of construction or installation works to be completed by Dongjie Construction and certified by an independent surveyor appointed by Qingdao Xifa Real Estate.
- Upon completion and certification of all construction works, 70% of the contract sum shall be payable to Dongjie Construction within 30 days after the issuance of the completion acceptance report.

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Thereafter, Dongjie Construction shall submit the completion audit information to Qingdao Xifa Real Estate for confirmation. Upon confirmation by Qingdao Xifa Real Estate, Dongjie Construction and Qingdao Xifa Real Estate shall execute a completion settlement agreement, and 97% of the final contract sum as set out in the completion settlement agreement shall be payable to Dongjie Construction within 60 days after the execution of the completion settlement agreement.

The remaining 3% of the final contract sum shall be retained by Qingdao Xifa Real Estate as quality guarantee fund, which shall be released (without interest) to Dongjie Construction within 14 days after expiry of the two-year warranty period, subject to Dongjie Construction fulfilling its responsibility.

Conditions precedent:

The passing of relevant resolutions by the Construction Independent Shareholders at the EGM to approve the Construction Contracts and the transactions contemplated thereunder

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The Lanxi Construction Contracts

Date:	13 February 2020
Parties:	(a) Qingdao West Coast New Area Development; and (b) Dongjie Construction
Subject matter:	Dongjie Construction is responsible for, among other things, the construction of eight buildings, an underground car parking lot and the overall project planning and management, including the procurement of materials and installation of machines in connection with the Lanxi Project
Project location:	West of Landong Road, east of Jingtai Road, north of Huashan First Road and south of Huashan Second Road, Qingdao City, Shandong Province, the PRC* (中國山東省青島市，蘭東路以西、鏡臺山路以東、華山一路以北、華山二路以南)
Total construction area:	Approximately 154,488.19 m ² (of which approximately 113,285.13 m ² for the eight buildings and approximately 41,203.06 m ² for the underground car parking lot, respectively)
Contract sum:	RMB486,137,182.77 (equivalent to approximately HK\$534,750,901.05, subject to adjustment in accordance with the relevant provisions in the Lanxi Construction Contracts
Estimated commencement date of construction:	By the end of March 2020
Construction period:	1068 days from the commencement date of construction
Payment terms:	The contract sum shall be payable in stages, and the amount of each payment shall be calculated based on a designated percentage (in the range of 20% to 60% depending on the category of works) of the actual progress of construction or installation works to be completed by Dongjie Construction and certified by an independent surveyor appointed by Qingdao West Coast New Area Development.

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Upon completion and certification of all construction works, 70% of the contract sum shall be payable to Dongjie Construction within 30 days after the issuance of the completion acceptance report.

Thereafter, Dongjie Construction shall submit the completion audit information to Qingdao West Coast New Area Development for confirmation. Upon confirmation by Qingdao West Coast New Area Development, Dongjie Construction and Qingdao West Coast New Area Development shall execute a completion settlement agreement, and 97% of the final contract sum as set out in the completion settlement agreement shall be payable to Dongjie Construction within 60 days after the execution of the completion settlement agreement.

The remaining 3% of the final contract sum shall be retained by Qingdao West Coast New Area Development as quality guarantee fund, which shall be released (without interest) to Dongjie Construction within 14 days after expiry of the two-year warranty period, subject to Dongjie Construction fulfilling its responsibility

Conditions precedent: The passing of relevant resolutions by the Construction Independent Shareholders at the EGM to approve the Construction Contracts and the transactions contemplated thereunder.

Further details of the principal terms of the Construction Contracts are set out in the Letter from the Board.

2. Reasons for and benefits of entering into the Construction Contracts

As set out in the Letter From the Board and the 2019 Interim Report, the Group is actively exploring business opportunities in the Southeast Asian region. 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 interest 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 and the entering into of the Construction Contracts shall allow the Group to accumulate experience in the construction industry in the PRC, widen its business portfolio and enhance its competitiveness in the market.

3. Our analysis on the terms of the Construction Contracts

As disclosed in the Letter from the Board, the contract sum under each of the Construction Contracts was determined through an open tender process and was calculated with reference to the quantities of each type of construction work and the corresponding unit prices, overhead costs and profit element. The construction area of each type of construction work was specified in each of the Construction Contracts in accordance with the measurements in the respective construction layout plans and subject to the final certification by the appointed independent surveyor after completion of the projects.

The unit price for each type of construction work varied and was determined with reference to, among other things, (i) Qingdao Materials Price Information* (青島材價) issued by Qingdao Engineering Construction Standard & Cost Association* (青島市工程建設標準造價協會); (ii) the applicable tax rate for construction works in the PRC; and (iii) the Compilation of Qingdao Engineering Data Settlement* (青島市工程資料結算匯編) issued by Qingdao Municipal Bureau of Housing and Urban-Rural Development* (青島市住房和城鄉建設局) for the relevant mark-up rates of labour cost, machinery and equipment cost, management fee and safety and civilised construction fee. Each of the final contract sums shall be finalised after the completion of the projects, subject to further price adjustments to be made in accordance with the terms of adjustment as adopted by the parties under each of the Construction Contracts.

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We understand from the Management that prior to submitting the tender to the potential customer, the tender sum will be determined on a combination of factors including but not limited to (i) the quantities of each type of construction work and the respective construction layout plans; (ii) the unit price of each type of construction work; (iii) the construction and overhead costs; (iv) the estimated profit margin; and (v) whether there are any specific requirements from the customer which will incur additional costs to the project (the “**Tender Procedures**”), where applicable, for providing such services in order to ensure that the terms of the tender are on normal commercial terms.

In particular, the unit price of each type of construction work is further referenced to, where applicable, (i) Qingdao Materials Price Information issued by Qingdao Engineering Construction Standard & Cost Association for material costs; (ii) the applicable tax rate for construction works in the PRC; and (iii) the Compilation of Qingdao Engineering Data Settlement issued by Qingdao Municipal Bureau of Housing and Urban-Rural Development for the mark-up rates on other major cost components of the project.

In this connection, we have obtained and reviewed the project budget cost schedules and bill of quantities prepared by the Management in respect of the Construction Contracts and noted that the project budget cost schedules and bill of quantities have been prepared in accordance with the Tender Procedures. In addition, we have obtained and reviewed project actual or budget cost schedules of five different tenders prepared by Dongjie Construction for various independent third-party construction contracts in respect of building construction projects in the Shandong Province. We noted that the estimated gross profit margin expected to be derived for the Construction Contracts is within the range of the gross profit margin derived for the subject tender samples. We also understand from the Management that the Tender Procedures were also applied to the sample tenders submitted to independent third parties.

Having considered that, (i) Dongjie Construction prepared the tender documents in accordance with the Tender Procedures; (ii) the Tender Procedures have been applied to both tender documents prepared for connected person and independent third party projects; and (iii) the estimated gross profit margin to be derived under the Construction Contracts are within the range of the gross profit margin expected to be derived under the sampled tenders with independent third parties, we concur with the Directors’ view that the basis of determining the contract sums under the Construction Contracts is fair and reasonable.

VIII. PRINCIPAL FACTORS AND REASONS CONSIDERED — 2020 VESSEL CHARTERING FRAMEWORK AGREEMENT

1. Principal terms of the 2020 Vessel Chartering Framework Agreement

Date: 18 February 2020

Parties: (a) Prosper BVI (as charterer for and on behalf of the Group); and

(b) Shenzhen Changsheng (as owner)

Subject matter: Pursuant to the 2020 Vessel Chartering Framework Agreement, the Group will charter vessels from Shenzhen Changsheng for term of three years. During the term of the 2020 Vessel Chartering Framework Agreement, it is envisaged that from time to time, members of the Group may enter into individual agreements (the “**Individual Agreements**”) with Shenzhen Changsheng in respect of the chartering of vessels subject to terms and conditions in compliance with those of the 2020 Vessel Chartering Framework Agreement.

Prosper BVI has an option to renew the 2020 Vessel Chartering Framework Agreement for a further period of three years upon its expiration, and for each exercise of a renewal option by Prosper BVI, Shenzhen Changsheng will be deemed to have granted a new option to Prosper BVI for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders’ approval requirements under the Listing Rules shall have been complied with by the Company.

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Pricing: The prices payable under the 2020 Vessel Chartering Framework Agreement will be determined at arm's length negotiations between the parties to the 2020 Vessel Chartering Framework Agreement and the Individual Agreements and are based on normal commercial terms, and on terms no less favourable to the Group as compared to other charters of similar sized vessels entered into and/or quotations obtained by the Group with different independent counterparties and taking into consideration of the general market conditions at the relevant time. The Group will take into account not less than three quotations from other charterers for other charters of similar sized vessels in the market at the time of the respective Individual Agreements.

Payment terms: Pursuant to the Individual Agreements, the Group will pay Shenzhen Changsheng a charter payment per chartered vessel. Such payment is to be made in Hong Kong dollars. The charter payment during the charter period will be settled by monthly instalments in cash on or before the fifteenth day of each month by the Group in arrears for the immediately preceding month.

Further details of the principal terms of the 2020 Vessel Chartering Framework Agreement are set out in the Letter from the Board.

2. Reasons for and benefits of entering into the 2020 Vessel Chartering Framework Agreement

Since the number of vessels currently owned by the Group that are available for imminent deployment outside of Hong Kong is inadequate to support the Group's demand for vessels under its upcoming projects, including but not limited to, the New Macao Project, the 2020 Vessel Chartering Framework Agreement allows the Group to secure vessels for its marine construction projects in an efficient and cost-effective manner. The Directors consider that the chartering of vessels from Shenzhen Changsheng pursuant to the 2020 Vessel Chartering Framework Agreement is beneficial to the Group's expansion strategy and allows the Group to undertake an increasing number of marine construction projects in future.

The relevant Directors consider that the terms of the 2020 Vessel Chartering Framework Agreement are on normal commercial terms and are entered into in the ordinary and usual course of business of the Group, which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

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Having considered that, (i) the Group is principally engaged in the provision of marine construction services, which include dredging and non-dredging ground treatment works, reclamation works, pier construction, offshore facilities foundation works and marine transportation to both the public and private sectors; (ii) Shenzhen Changsheng is principally engaged in the provision of marine construction services and the leasing and trading of vessels; (iii) the transactions contemplated under the 2020 Vessel Chartering Framework Agreement are for the Group's marine construction business; (iv) the Proposed Annual Caps, if approved, would facilitate the transactions contemplated under the 2020 Vessels Chartering Framework Agreement for the years ending 31 December 2020, 2021 and 2022 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; and (v) the Group has the right but not the obligation to charter vessels from Shenzhen Changsheng at terms determined in accordance with the respective pricing policies, we concur with the Directors' view that the transactions contemplated under the 2020 Vessel Chartering Framework Agreement are in the interests of the Company as a whole.

3. Pricing basis and internal control procedures

We understand from the Management that prior to entering into any services agreements under the 2020 Vessel Chartering Framework Agreement, the Company would obtain quotations from not less than three service providers (including Shenzhen Changsheng and other independent third parties) in respect of vessel chartering services to be rendered, where applicable, in order to ensure that the terms of the individual chartering agreements are on normal commercial terms or no less favourable to the Company than those available from independent third parties, and comply with the terms and conditions of the 2020 Vessel Chartering Framework Agreement.

We further understand from the Management that prior to inviting a service provider to quote, the Management will assess the suitability of the subject service provider with reference to selection criteria including, among others, (i) the service provider's past experience in the vessel chartering industry; (ii) the availability of vessels with the required function(s); and (iii) the cooperation record.

In this connection, we have reviewed and discussed with the Management the internal standard procedures of the Group governing the selection process which sets out, among others, standard procedures for quotations covering areas, such as (i) submission of price quotations from at least three service providers (at least two from independent third parties); (ii) price comparison report; and (iii) selection of quotation. The Management advised that the Company had entered two vessel chartering contracts with Shenzhen Changsheng under the 2017 Vessel Chartering Framework Agreement with a duration of one year and less than two years, respectively. During the contract period, Shenzhen Changsheng agreed to charter the requested vessels at the predetermined price as stated in the contract, which was determined after going through the aforesaid internal procedures. We understand from the Management that in order to secure the subject vessels at an acceptable price for its marine construction

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projects, the Company requested the vessel chartering service providers to provide a quotation for a monthly charter rate covering a period of time. Moreover, the Management advised that the predetermined price contract, which was not less favourable than terms offered by independent third parties, entered into with Shenzhen Changsheng would ensure the Group has an effective and efficient cost control over vessel chartering, being one of the major cost components of marine construction projects.

Accordingly, we have obtained and reviewed the two contracts entered into with Shenzhen Changsheng, with three more quotations from independent third parties for each contract, being six quotations in aggregate. We noted that the pricing of vessels from the subject contracts were among the lowest from other quotations submitted by independent third parties. The award of contract to Shenzhen Changsheng was in accordance with the internal standard procedures of the Group, the same procedures and assessment were also applied to quotations submitted by independent third parties.

In addition, we noted that the Group shall adopt the following internal control procedures to govern the continuing connected transactions of the Group under the 2020 Vessel Chartering Framework Agreement and the Proposed 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 2020 Vessel Chartering Framework Agreement to ensure that the Proposed Annual Caps will not be exceeded;
- (ii) the vessel and equipment department and contract department of the Company will compare the vessel chartering price with other charters of similar sized vessels entered into and/or quotations obtained by the Group with independent third-party suppliers to ensure the fees charged by Shenzhen Changsheng are fair and reasonable and no less favourable to the Group than those offered to independent third parties;
- (iii) the vessel and equipment and project department of the Company will submit the vessels chartering plan, price comparison report, and status report to the executive Directors before entering into Individual Agreements;
- (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 2020 Vessel Chartering Framework Agreement have been approved by the Board; (b) the transactions have been entered into in accordance with the 2020 Vessel Chartering Framework Agreement; and (c) the Proposed 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 2020 Vessel Chartering Framework Agreement

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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 2020 Vessel Chartering 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 and corporate governance measures above are appropriate and can ensure the transactions are carried out in accordance with the 2020 Vessel Chartering Framework Agreement and the prices paid by the Company will not be less favourable than those transactions with independent third parties.

In this connection, we have obtained and reviewed the relevant internal control policies and the selection procedures, and we considered that effective implementation of these internal control policies would ensure the transactions under the 2020 Vessel Chartering Framework Agreement to be conducted on terms which are fair and reasonable.

4. Basis for determining the Proposed Annual Caps

Set out below are (i) the Original Annual Caps; and (ii) the historical transaction amounts in relation to the chartering of vessel by the Group from Shenzhen Changsheng for the three years ended 31 December 2019 under the 2017 Vessel Chartering Framework Agreement:

	For the year ended 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the year ended 31 December 2019 HK\$
Original Annual Caps	15,660,000	22,300,000	22,300,000
Historical transaction amounts (Note 1, 2 & 3)	8,120,000	8,965,000	15,105,000
Utilisation rate	51.9%	40.2%	67.7%

Notes:

- (1) For illustrative purposes, all historical and estimated transaction amounts are rounded to the nearest thousands.
- (2) Historical transaction amounts refer to audited figures for the years ended 31 December 2017 and 2018 and unaudited figure for the year ended 31 December 2019.
- (3) The historical transaction amount for the year ended 31 December 2019 has been adjusted from HK\$12,822,000 as disclosed in the announcement of the Company dated 18 February 2020 to HK\$15,105,000 upon further review during the course of the audit process.

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As set out in the table above and the Letter from the board, we noted that the relevant utilisation rate of the Original Annual Caps ranged from approximately 40.2% to 67.7% for the three years ended 31 December 2019.

After discussing with the Management, the differences between the Original Annual Caps and the actual transaction amounts during the three years ended 31 December 2019, were primarily attributable to (i) the reduced need of vessels for a project in Macao as the marine work portion was completed sooner than originally; (ii) the delay of another project in Macao due to changes in design of the project by the customer; (iii) the reduced need of vessels for a project in Pakistan due to unforeseen weather conditions; and (iv) the difference between the size and number of expected marine construction projects and the actual awarded marine construction projects of the Group, which in turn affected the availability of the Group's self-owned vessels at the relevant time; and (v) the difference in actual project schedule of marine construction projects.

For information purposes, based on the Letter from the Board, the unaudited historical transaction amounts between 1 January 2020 and 17 February 2020 (being the day immediately before the announcement of the Company dated 18 February 2020 in relation to the entering into of 2020 Vessel Chartering Framework Agreement) and the unaudited and estimated transaction amounts for the three months ending 31 March 2020 amounted to approximately HK\$1,511,000 and HK\$2,858,000, respectively. For further details of the historical and estimated transaction amounts in relation to the chartering of vessels from Shenzhen Changsheng, please refer to the section headed "B. Original Annual Caps and historical transaction amounts" in the Letter from the Board.

Set out below are the Proposed Annual Caps for the three years ending 31 December 2022 under the 2020 Vessel Chartering Framework Agreement:

	For the year ending 31 December 2020 HK\$	For the year ending 31 December 2021 HK\$	For the year ending 31 December 2022 HK\$
Proposed Annual Caps	26,000,000	27,000,000	27,000,000

As set out above, the relevant utilization rate of the Original Annual Caps ranged from approximately 40.2% to 67.7% for the three years ended 31 December 2019 and we have also discussed with the Management on the difference between the annual cap for the year ending 31 December 2019 and the actual transaction amounts. In addition, we understand from the Management that the Company intends to continue its strategy of cooperating with Shenzhen Changsheng in the coming three years with view to secure vessels for its marine construction works.

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As set out in the Letter from the Board, the Proposed Annual Caps were determined with reference to:

- (i) the difference between Original Annual Caps and the historical transaction amounts under the 2017 Vessel Chartering Framework Agreement for each of the three years ended 31 December 2019, in particular, the deferred vessel chartering fee of approximately HK\$11.8 million for the project in Macao, which was delayed due to changes in project design and is expected to be resumed during the year ended 31 December 2020;
- (ii) the expected increase in demand of vessels in light of the Group's future plan to undertake more marine construction projects located in Macao, Pakistan, Vietnam and Cambodia, including but not limited to:
 - (a) three on-going projects which are expected to incur a total vessel chartering fee of approximately HK\$21.5 million during the three years ending 31 December 2022; and
 - (b) four potential projects which, if materialised, are expected to incur a total vessel chartering fee of approximately HK\$58.5 million during the three years ending 31 December 2022;
- (iii) the expected monthly charter payment per vessel based on the latest quotations from Shenzhen Changsheng; and
- (iv) the prevailing market prices of chartering similar vessels.

In connection to the above, we noted that the Proposed Annual Caps were primarily based on (i) the expected number of vessels required for on-going and potential projects; and (ii) the estimated monthly rental of each type of vessels. In this connection, we obtained and reviewed a vessel chartering plan prepared by the Management for the years ending 31 December 2020, 2021 and 2022 in relation to the number of vessels needed for the seven, awarded and potential, marine construction projects located across Macao, Cambodia, Pakistan and Vietnam.

As discussed with the Management, we understand that the number of vessels required for each project during the relevant time was based on (i) the past experience of the Group in similar projects; (ii) the contract obligations as agreed with the respective customers; and (iii) estimated work schedule of the projects. We further note from the Management that the Group will also tender for other marine construction projects which may require external vessel chartering services in the future.

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In addition, we note the monthly rental were based on the quotations from Shenzhen Changsheng and other independent third-party vessel chartering service providers in relation to the type of vessel needed by the Group up to 31 December 2022. We have obtained and reviewed four quotations from various service provider (including Shenzhen Changsheng and other independent third parties) and noted that price quotation from Shenzhen Changsheng were the lowest among the four quotations.

In connection with the proposed annual caps for the years ending 31 December 2021 and 2022, the Company has taken a prudent and conservative approach by assuming no other potential marine construction projects will require the external vessel chartering service and only increased the proposed annual caps for the years ending 31 December 2020 and 2021 by HK\$1.0 million to HK\$27.0 million, respectively.

Having considered that (i) the seven awarded and potential marine construction projects of the Group; and (ii) the basis and assumptions for the Proposed Annual Caps, we consider the basis for determining the Proposed Annual Caps to be fair and reasonable so far as the Company and the Vessel Chartering Independent Shareholders are concerned.

Nevertheless, the Shareholders are advised that the Proposed Annual Caps only represent an estimate by the Group based on the information available at the relevant time and is not an indication of actual costs to be incurred by the Group. In addition, the Proposed Annual Caps would provide the Group with the flexibility but not the obligation to invite Shenzhen Changsheng to provide quotations for the vessel chartering services and any award of contract under the 2020 Vessel Chartering Framework Agreement shall be subject to the internal standard procedures as set out above.

IX. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the reasons for and benefits of entering into the Transactions;
- (ii) the Construction Contracts is a furtherance of the Group's business and the vessel chartering service contemplated under the 2020 Vessel Chartering Framework Agreement facilitates the development of the Group's marine construction business;
- (iii) the Construction Contracts and vessel chartering services contemplated under the 2020 Vessel Chartering Framework Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms that are no more favourable than those prices and terms available from independent third parties to the Group; and
- (iv) the basis for determining the Proposed Annual Caps included, amongst other things, the estimated number of vessels required and monthly rental are reasonable, details of which are set out under the section headed "4. Basis for determining the Proposed Annual Caps" in this letter above,

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we are of the view that the Transactions are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of the Transactions are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Construction Independent Shareholders and the Vessel Chartering Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Construction Contracts and the Vessel Chartering Framework Agreement at the EGM, respectively.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 13 years of experience in the corporate finance industry.

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long position in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of interest
Mr. Cui	Interest through controlled corporations (<i>Note</i>)	102,000,000	12.75%

Note: The 102,000,000 Shares were held by Sky Hero, a company wholly owned by Solid Jewel Investments Limited (“Solid Jewel”), which was in turn owned as to 60% by Mr. Cui.

Long position in the shares of associated corporations of the Company

Name of Director	Associated corporations	Capacity	Approximate percentage of interest
Mr. Cui	Solid Jewel	Beneficial owner	60.00%
Mr. Cui	Sky Hero	Interest in controlled corporation	100.00%

(b) Substantial shareholders' interests and other person's interests and short positions in the Shares and underlying Shares

As at the Latest Practicable Date, the following persons had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the Shares and underlying Shares

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of interest
Qingdao West Coast Holdings (Note 4)	Beneficial owner	600,000,000	75.00%
West Coast Investment (Hong Kong) Limited (Note 1)	Interest of a controlled corporation	600,000,000	75.00%
West Coast Holdings (Hong Kong) Limited (Note 1)	Interest of a controlled corporation	600,000,000	75.00%
Qingdao West Coast Holding Development Limited* 青島西海岸控股發展有限公司 (Note 1)	Interest of a controlled corporation	600,000,000	75.00%
Qingdao West Coast Group (Note 1)	Interest of a controlled corporation	600,000,000	75.00%
Qingdao State-owned Assets Supervision and Administration Commission of the State Council	Interest of a controlled corporation	600,000,000	75.00%
Sky Hero	Beneficial owner	102,000,000	12.75%

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of interest
Solid Jewel (<i>Note 2</i>)	Interest of a controlled corporation	102,000,000	12.75%
Ms. Mu (<i>Note 3</i>)	Interest of spouse	102,000,000	12.75%

Notes:

- Each of these entities is wholly owned and controlled by the Qingdao State-owned Assets Supervision and Administration Commission of the State Council and is deemed under the SFO to be interested in all the Share which are directly and beneficially owned by Qingdao West Coast Holdings.
- Solid Jewel is deemed or taken to be interested in all the Shares which are beneficially owned by Sky Hero under the SFO. Sky Hero is wholly-owned by Solid Jewel.
- Ms. Mu is the spouse of Mr. Cui and she is deemed or taken to be interested in all the Shares which are beneficially owned by Mr. Cui under the SFO.
- The interest in Shares held by Qingdao West Coast Holdings included the 102,000,000 Shares held by Sky Hero which were charged in favour of Qingdao West Coast Holdings.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (other the Directors or chief executive of the Company) who had any interest or short position in the Shares, underlying Shares which would be required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or was directly or indirectly, interested in 10% or more of the issued voting shares of other member of the Group carrying rights to vote in all circumstances at general meetings of the Group or had options in respect of such capital.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, other than (i) the Construction Contracts which Mr. Liu Luqiang, Mr. Yang Zhenshan and Mr. Jiang Shuang, each an executive Director, and Mr. Wang Xuejun, a non-executive Director were interested in; and (ii) the 2020 Vessel Chartering Framework Agreement, which Mr. Cui, an executive Director was interested in, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, other than Mr. Cui who was indirectly interested in the vessels which had been chartered to the Group by Shenzhen Changsheng (details of which are set out in the letter from the Board in this circular), none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

5. DIRECTORS' INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Cui and his spouse, Ms. Mu held the entire equity interests in Shenzhen Changsheng. Therefore, Mr. Cui is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

Save as disclosed above, As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the issue of the profit warning announcements of the Company on 31 July 2019 and 28 February 2020, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2018, being the date of which the latest published audited financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has provided opinion or advice contained in this circular:

Name	Qualification
Red Sun Capital Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

The letter, report and/or opinion from the above expert is given as of the date of this circular for incorporation in this circular. The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, report and/or opinion, as the case may be, and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert:

- (a) did not have any direct or indirect interest in any assets which have since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Unit Nos. 04–05, 5/F, K.Wah Centre, 191 Java Road, North Point, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the Construction Contracts;
- (b) the 2020 Vessel Chartering Framework Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this circular; and
- (e) this circular.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Prosper Construction Holdings Limited (the “**Company**”) will be held at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty on Monday, 30 March 2020 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

“THAT:

- (a) the entering into of the construction contract dated 13 February 2020 and supplemental contract dated 13 February 2020 between Qingdao Dongjie Construction Engineering Co., Ltd.* (青島東捷建設工程有限公司) (“**Dongjie Construction**”) and Qingdao Xifa Real Estate Company Limited* (青島西發置業有限公司) (the “**Landong Construction Contracts**”) in relation to the provision of construction services by the Dongjie Construction (a copy of the Landong Construction Contracts marked “A” has been produced to the Meeting and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be hereby approved, ratified and confirmed;
- (b) the entering into of the construction contract dated 13 February 2020 and supplemental contract dated 13 February 2020 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) (the “**Lanxi Construction Contracts**”, together with the Landong Construction Contracts, the “**Construction Contracts**”) in relation to the provision of construction services by the Dongjie Construction (a copy of the Lanxi Construction Contracts marked “B” has been produced to the Meeting and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be hereby approved, ratified and confirmed;
- (c) the entering into of the framework agreement dated 18 February 2020 between Shenzhen Changsheng Marine Engineering Limited* (深圳長盛海事工程有限公司) (“**Shenzhen Changsheng**”) and Prosper Construction Group Ltd. (瑞港建設集團有限公司) (the “**2020 Vessel Chartering Framework Agreement**”) in relation to the

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chartering of vessels by the Group from Shenzhen Changsheng (a copy of the 2020 Vessel Chartering Framework Agreement marked “C” has been produced to the Meeting and signed by the Chairman of the Meeting for the purpose of identification), the transactions contemplated thereunder and the proposed annual caps be hereby approved, ratified and confirmed; and

- (d) any one director of the Company be and is hereby authorised to execute the Construction Contracts, the 2020 Vessel Chartering Framework Agreement and all such other documents and to do all such acts or things for and on behalf of the Company, and to make and agree such variations of a minor or non-material nature in or to the terms of the Construction Contracts and 2020 Vessel Chartering Framework Agreement as he/she may consider appropriate or desirable relating to or in connection with the matters contemplated therein.”

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

Hong Kong, 13 March 2020

Head office and principal place of business in Hong Kong:

Unit Nos. 04–05, 5/F

K.Wah Centre

191 Java Road

North Point

Hong Kong

Notes:

1. The resolutions set out in this notice of the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. A member of the Company entitled to attend and vote at the Meeting will be entitled to appoint one or more proxies to attend and, on a poll, vote in his or her stead. A proxy need not be a member of the Company.
3. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the form of proxy, it will be deemed to have been revoked.
4. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notorially certified copy of such power or authority, must be deposited at the Company’s share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday.

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5. Where there are joint registered holders of any Share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
6. In order for a shareholder of the Company to be eligible to attend and vote at the Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 March 2020.

As at the date of this notice, the Board comprises executive Directors, namely 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.

* *English translation of names in Chinese which is marked with "*" in this notice is for identification purposes only.*