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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
THE VESSEL CHARTERING FRAMEWORK AGREEMENT**

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 18 July 2017 in relation to the 2017 Vessel Chartering Framework Agreement. As the 2017 Vessel Chartering Framework Agreement has 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 of the Company, 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 Independent Shareholders' approval requirements.

GENERAL

The EGM will be convened by the Company for the Independent Shareholders to consider, and if thought fit, approve the 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, 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.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to (i) whether the terms of the 2020 Vessel Chartering Framework Agreement and the Proposed Annual Caps are fair and reasonable; (ii) whether 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; (iii) whether the transactions contemplated under the 2020 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 Independent Shareholders. Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

A circular containing, among other things, (a) further information on the terms of the 2020 Vessel Chartering Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps); (b) a letter from the Independent Board Committee to the Independent Shareholders; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (d) a notice of the EGM, is expected to be despatched to the Shareholders on or before 5 March 2020 in accordance with the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 18 July 2017 in relation to the 2017 Vessel Chartering Framework Agreement. As the 2017 Vessel Chartering Framework Agreement has 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.

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 (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 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.

Term

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 Independent Shareholders at the EGM to approve the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

ORIGINAL ANNUAL CAPS AND HISTORICAL TRANSACTION AMOUNTS

Set out below are the Original Annual Caps for the transactions contemplated under the 2017 Vessel Chartering Framework Agreement for the relevant periods:

	For the year ended 31 December		
	2017	2018	2019
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Original Annual Caps	15,660,000	22,300,000	22,300,000

Set out below are 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) <i>HK\$</i>	(Audited) <i>HK\$</i>	(Unaudited) <i>HK\$</i>
Historical transaction amounts (rounded to the nearest thousands)	8,120,000	8,965,000	12,822,000

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	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Proposed Annual Caps	26,000,000	27,000,000	27,000,000

The Proposed Annual Caps were determined with reference to:

- (i) the historical transaction amounts under the 2017 Vessel Chartering Framework Agreement for each of the three years ended 31 December 2019;
- (ii) the expected increase in vessels required by the Group based on the three on-going and four potential marine construction projects to be undertaken by the Group during the three years ending 31 December 2022, including but not limited to projects located in Macao, Pakistan, Vietnam and Cambodia;
- (iii) the expected monthly charter payment per vessel based on 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.

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 has 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, and the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) 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.

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 plans, 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 were 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.

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.

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.

Shenzhen Changsheng

Shenzhen Changsheng is 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 his spouse Ms. Mu as at the date of this announcement. It is principally engaged in the provision of marine construction services and the leasing and trading of vessels.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 of the Company, 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 Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened by the Company for the 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, 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.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to (i) whether the terms of the 2020 Vessel Chartering Framework Agreement and the Proposed Annual Caps are fair and reasonable; (ii) whether 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; (iii) whether the transactions contemplated under the 2020 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 Independent Shareholders. Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

A circular containing, among other things, (a) further information on the terms of the 2020 Vessel Chartering Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps); (b) a letter from the Independent Board Committee to the Independent Shareholders; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (d) a notice of the EGM, is expected to be despatched to the Shareholders on or before 5 March 2020 in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions having 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
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors the Company
“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, and an investment holding company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	directors of the Company
“EGM”	an extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the 2020 Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board (comprising all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps
“Independent Financial Adviser”	the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2020 Vessel Chartering Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps
“Independent Shareholders”	Shareholders who are not interested in the 2020 Vessel Chartering Framework Agreement and are not required under the Listing Rules to abstain from voting at the EGM to approve the same, the transactions contemplated thereunder and the Proposed Annual Caps
“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
“Original Annual Caps”	the annual caps for the transactions contemplated under the 2017 Vessel Chartering Framework Agreement, being HK\$15,600,000 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 purpose of this announcement, 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
“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 date of this announcement
“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

“%”

per cent.

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

Hong Kong, 18 February 2020

As at the date of this announcement, the Board comprises executive Directors, namely Mr. Liu Luqiang (chairman of the Board), Mr. Cui Qi, Mr. Yang Zhenshan, Mr. Jiang Shuang and Mr. Ding Hongbin; non-executive Director Mr. Wang Xuejun; and independent non-executive Directors Mr. Cheung Chi Man Dennis, Mr. Wang Yaping and Mr. Cheng Xuezhao.

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