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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)

**CONNECTED TRANSACTIONS IN RELATION TO
THE CONSTRUCTION CONTRACTS**

THE CONSTRUCTION CONTRACTS

The Landong Construction Contracts

On 13 February 2020, Dongjie Construction, an indirect non-wholly owned subsidiary of the Company, and Qingdao Xifa Real Estate entered into the Landong Construction Contracts, 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).

The Lanxi Construction Contracts

On 13 February 2020, Dongjie Construction, an indirect non-wholly owned subsidiary of the Company, and Qingdao West Coast New Area Development entered into the Lanxi Construction Contracts, pursuant to which 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 Lanxi Project at a contract sum of RMB486,137,182.77 (equivalent to approximately HK\$534,750,901.05).

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 (Internation) Limited, a controlling shareholder of the Company directly holding 62.25% of the issued share capital of the Company and an indirect wholly-owned subsidiary of Qingdao West Coast Group, will be required to abstain from voting on the relevant shareholders' resolutions of the Company at the EGM.

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 Independent Shareholders' approval requirements under the Listing Rules.

GENERAL

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

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for Qingdao West Coast Holdings (Internation) Limited and its associates, no other Shareholder has a material interest in the transactions contemplated under the Construction 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.

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

A circular containing, among other things, (a) further information on the terms of the Construction Contracts; (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

On 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

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

1. The Landong Construction Contracts

Date:	13 February 2020
Parties:	(a) Qingdao Xifa Real Estate; and (b) 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 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、鏡台山路以東、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.

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 the relevant resolutions by the 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: (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 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

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.

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

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. 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 civilized 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.

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 Asia 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 maximize 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, and the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) are of the view that the terms of the Construction Contracts were entered into after arm's length 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 (Internation) Limited, a controlling shareholder of the Company directly holding 62.25% of the issued share capital of the Company and an indirect wholly-owned subsidiary of Qingdao West Coast Group, will be required to abstain from voting on the relevant shareholders' resolutions of the Company at the EGM.

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 Independent Shareholders' approval requirements under the Listing Rules.

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.

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.

GENERAL

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

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for Qingdao West Coast Holdings (Internation) Limited and its associates, no other Shareholder has a material interest in the transactions contemplated under the Construction 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.

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

A circular containing, among other things, (a) further information on the Construction Contracts; (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, the following expressions have the following meanings, unless context otherwise requires:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Prosper Construction Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 6816)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Contracts”	the Landong Construction Contracts and the Lanxi Construction Contracts
“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
“EGM”	an extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Construction Contracts and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	a committee of the Board (comprising all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the Construction Contracts
“Independent Financial Adviser”	the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Construction Contracts
“Independent Shareholders”	Shareholders who are not interested in the Construction Contracts and are not required under the Listing Rules to abstain from voting at the EGM to approve the same and the transactions contemplated thereunder
“Landong Construction Contracts”	the construction contract dated 13 February 2020 and the 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 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 the 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)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“m ² ”	square metre
“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, the Macau Special Administrative Region of the PRC and Taiwan
“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, 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, an indirect wholly-owned subsidiary of Qingdao West Coast Group
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 13 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.

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

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