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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)

**MAJOR TRANSACTION IN RELATION TO
THE ACQUISITION OF 80% EQUITY INTERESTS IN
QINGDAO DONGJIE CONSTRUCTION ENGINEERING CO., LTD.***

THE ACQUISITION

The Board is pleased to announce that on 23 September 2019 (after trading hours of the Stock Exchange), 青島西發瑞海實業發展有限公司 (Qingdao Xifa Ruihai Industrial Development Co. Ltd.*), a wholly owned subsidiary of the Company has entered into the Sale and Purchase Agreement with the Vendors and the Target Company in relation to the acquisition of the Sale Interests at an aggregate Consideration of RMB71,352,000 (equivalent to approximately HK\$78,487,200) (subject to adjustment).

Upon Completion, the Purchaser will be interested in 80% equity interests in the Target Company. As such, the Target Company will become an indirect non wholly-owned subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company, and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE EGM AND CIRCULAR

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder has any material interest in the transactions contemplated under the Sale and Purchase Agreement and as such, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Company expects that a circular containing, among other things, (i) details of the Acquisition; (ii) financial information of the Group; and (iii) financial information of the Target Company; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) notice of the EGM and form of proxy, will be despatched on or before 31 October 2019 so as to allow sufficient time for the Company to prepare the required financial information and other relevant information to be included in the Circular.

Shareholders and potential investors of the Company should be aware that the Acquisition is subject to certain conditions being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

Reference is made to the announcement of the Company dated 26 June 2019, in relation to the entering into of the memorandum of understanding on 25 June 2019 for the possible acquisition of 80% equity interests in the Target Company.

On 23 September 2019 (after trading hours of the Stock Exchange), the Purchaser, a wholly owned subsidiary of the Company, the Vendors and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of the Sale Interests at an aggregate Consideration of RMB71,352,000 (equivalent to approximately HK\$78,487,200) (subject to adjustment).

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

23 September 2019 (after trading hours of the Stock Exchange)

Parties

- (1) the Purchaser;
- (2) the Vendors; and
- (3) the Target Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendors are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendors shall sell the Sale Interests as beneficial owners and the Purchaser shall purchase the Sale Interests, representing 80% of the equity interests in the Target Company.

Consideration

Pursuant to the Sale and Purchase Agreement and subject to the adjustment set out below, the aggregate Consideration for the sale and purchase of the Sale Interests shall be RMB71,352,000 (equivalent to approximately HK\$78,487,200) which shall be settled in the following manner:

- (a) subject to the possible adjustment of the Consideration mentioned below, the Purchaser shall pay a sum of RMB46,378,800 (equivalent to approximately HK\$51,016,680) being 65% of the Consideration to the Vendors by way of remittance to the bank account(s) as designated by the Vendors within three Business Days after the date of the Completion; and
- (b) subject to the possible adjustment of the Consideration mentioned below, the remaining balance of the Consideration shall be paid by the Purchaser to the Vendors by way of remittance to the bank account(s) as designated by the Vendors within six months after the date of the Completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendors, taking into account, among other things, (i) the net asset value of the Target Company as at 31 May 2019; (ii) the valuation of the Target Company of approximately RMB102,000,000 (equivalent to approximately HK\$112,200,000) based on the market approach as at 31 May 2019, prepared by an independent professional valuer; (iii) the Target Company's PRC grade one general construction contractor qualification and PRC grade two construction and decoration engineering contractor qualification and other licenses; (iv) the future business prospects of the Target Company; and (v) other reasons and benefits of the Acquisition as stated under the section headed "Reasons and benefits of the Acquisition" in this announcement. The Consideration is equivalent to RMB1.7838 (equivalent to approximately HK\$1.9622) per Sale Interest and represents a discount of approximately 12.56% to the market value of RMB102,000,000 of the Target Company as at 31 May 2019 as valued by an independent professional valuer and a premium of approximately 5.80% to the unaudited net asset value of the Target Company after fair value adjustments on certain non-current assets stated at historical cost as at 31 May 2019.

The Directors are of the view that the premium of the Consideration over the Target Company's adjusted net asset value as at 31 May 2019 is fair and reasonable, considering that (i) the adjusted net asset value does not include the value of the Target Company's qualifications and licenses which require time and resources to achieve; (ii) the adjusted net asset value does not include the value of 25 active patents relating to construction know-hows and methods registered with the China National Intellectual Property Administration (國家知識產權局) under the name of the Target Company; (iii) the Target Company's on-going profitable operation; and (iv) the Target Company's industry knowledge, established customers base, suppliers network and management team in the PRC.

Pursuant to the Sale and Purchase Agreement, the Purchaser and the Vendors agreed that if the audited net asset value of the Target Company (except for the adjustments to the valuation of properties held by the Target Company) as shown in the audited financial statements of the Target Company is less than the unaudited net asset value of the Target Company as at 31 May 2019, the Consideration shall be reduced accordingly based on the proportion of the equity interests held by the Vendors in the Target Company. Further, the Consideration shall also be adjusted if there is any event occurring on or after the date of the Sale and Purchase Agreement which has the effect or reducing the audited net asset value of the Target Company.

The Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be subject to and conditional upon the fulfillment (or, if applicable, waiver by the Purchaser and the Vendors) of the following conditions:

1. all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained, including the approval from its board of directors and immediate shareholders;
2. the passing of necessary resolutions by the Shareholders (other than those required to be abstain from voting under the Listing Rules (if any)) of the Company at an extraordinary general meeting of the Company to be convened and held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder and the obtaining of the approval from the Stock Exchange (if required);
3. all necessary consents and approvals required to be obtained on the part of the Vendors and the Target Company in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained, including the approval from the board of directors and the shareholders of the Target Company;
4. the completion of the reorganisation such that the only subsidiary of the Target Company, namely, 青島鴻展工程勞務有限公司 (Qingdao Hongzhan Engineering Labour Service Co. Ltd.*) shall be disposed of;
5. the perfection of the relevant industrial and commercial registration procedures in respect of the current shareholding information of the Target Company;
6. the execution of documentations between the Target Company and four of the Vendors confirming the cancellation of the sale and purchase agreements of several properties of the Target Company; and

7. all representations, warranties and undertakings given by the Vendors, the Purchaser and the Target Company set out in the Sale and Purchase Agreement remaining true and accurate from the date of the Sale and Purchase Agreement until the Completion.

Completion

Completion is subject to the fulfilment or waiver by the Purchaser and the Vendors (as the case may be) of all the above conditions precedent and shall take place within five Business Days after completion of the relevant industrial and commercial registration procedures and obtaining of the new business licence of the Target Company.

Upon Completion, the Purchaser will be interested in 80% equity interests in the Target Company. As such, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries provide marine construction services, leasing and trading of vessels.

The Purchaser, namely 青島西發瑞海實業發展有限公司 (Qingdao Xifa Ruihai Industrial Development Co. Ltd.*), was established in PRC and is wholly owned by the Company. The Purchaser is principally engaged in foreign investment, municipal engineering construction, design and construction of landscaping projects, road construction, foundation and foundation engineering construction, earthwork construction, bridge construction, planning of cultural and art exchange activities, development, operation and management of ecological tourism projects and real estate development.

INFORMATION ON THE TARGET COMPANY

The Target Company was established in in the PRC in July 2003 and is principally engaged in general contracting of building construction, building foundation, garden greening project, garden landscape project, cultural relic protection project, real estate development business, building materials wholesale, building demolition activities, 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 project, fire control facilities engineering, waterproof anti-corrosion insulation works, steel structure engineering, and building mechanical and electrical installation.

As at the date of this announcement, the shareholding structure of the Target Company is as follows:

	Paid-up capital of the Target Company	Approximate interest in the Target Company
The Vendors		
于華毅 (Yu Huayi*)	RMB11,216,863	22.43373%
牟文樂 (Mou Wenle*)	RMB9,921,137	19.84227%
牟麗萍 (Mou Liping*)	RMB4,126,856	8.25371%
邴起宏 (Bing Qihong*)	RMB2,704,731	5.40946%
丁培增 (Ding Peizeng*)	RMB2,643,330	5.28666%
王金升 (Wang Jinsheng*)	RMB2,619,702	5.23940%
董良玉 (Dong Liangyu*)	RMB2,011,251	4.02250%
國得義 (Guo Deyi*)	RMB1,512,195	3.02439%
季進亮 (Ji Jinliang*)	RMB885,869	1.77175%
楊麗紅 (Yang Lihong*)	RMB783,489	1.56698%
程顯祥 (Cheng Xianxiang*)	RMB674,026	1.34805%
孫艦 (Sun Jian*)	RMB547,216	1.09443%
孫曉林 (Sun Xiaolin*)	RMB449,350	0.89870%
郭立敏 (Guo Limin*)	RMB251,425	0.50285%
李沖 (Li Chong*)	RMB224,675	0.44935%
Other shareholder	<u>RMB9,427,885</u>	<u>18.85577%</u>
Total:	<u><u>RMB50,000,000</u></u>	<u><u>100%</u></u>

FINANCIAL INFORMATION ON THE TARGET COMPANY

Set out below is a summary of the unaudited financial information of the Target Company for the years ended 31 December 2017 and 31 December 2018:

	For the year ended 31 December 2017 (unaudited) RMB'000	For the year ended 31 December 2018 (unaudited) RMB'000
Revenue	219,850	330,459
Net profit after income tax	4,632	12,397

The total assets, total liabilities and net assets of the Target Company as at 31 May 2019 according to its unaudited financial statements was approximately RMB290,552,000, RMB243,300,000 and RMB47,252,000 respectively.

REASONS AND BENEFITS OF THE ACQUISITION

As disclosed in the announcement of the Company dated 26 June 2019, in order to maximize the return to the Company and the Shareholders in the long run, the Directors have been reviewing the Group's existing business and seeking investment opportunities that could diversify the Group's existing business portfolio and broaden its source of income. The Group currently does not hold any qualification and/or license to engage in engineering and/or construction operation in the PRC and the process to obtain such qualification and/or license is considered time-consuming. The Directors are aware of vast amount of construction business opportunities in the greater Qingdao area of the Shandong Province in the PRC and a majority of the Directors are experienced in working with infrastructure and property project developers in both private and public sector in the area. The Directors considered that the Target Company is a legally qualified construction company with good reputation and the Acquisition is a logical step forward in the pursuit of the Group's business development opportunities. Furthermore, the Directors considered that the Acquisition represents a good opportunity to the Group to tap into the construction market in the PRC, in particular, having considered the Target Company's existing qualifications and licenses, industry knowledge, established customers base, suppliers network and management team in the PRC and the Directors are of the view that the Acquisition will produce synergy and enable the Group to take up business opportunities in the greater Qingdao area in an efficient and effective manner.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company, and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE EGM AND CIRCULAR

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder has any material interest in the transactions contemplated under the Sale and Purchase Agreement and as such, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Company expects that a circular containing, among other things, (i) details of the Acquisition; (ii) financial information of the Group; and (iii) financial information of the Target Company; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) notice of the EGM and form of proxy, will be despatched on or before 31 October 2019 so as to allow sufficient time for the Company to prepare the required financial information and other relevant information to be included in the Circular.

Shareholders and potential investors of the Company should be aware that the Acquisition is subject to certain conditions being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the proposed acquisition by the Purchaser of the Sales Interests subject to and upon the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday and public holidays) on which licensed banks are generally open for business in the PRC throughout their normal business hours
“Circular”	the circular to be sent to the Shareholders in relation to, among other things, the Sale and Purchase Agreement and the Acquisition
“Company”	Prosper Construction Holdings Limited (瑞港建設控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meanings ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition and the entering into and performance of the Sale and Purchase Agreement
“Enlarged Group”	the Group and the Target Company upon Completion
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	青島西發瑞海實業發展有限公司 (Qingdao Xifa Ruihai Industrial Development Co. Ltd.*), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 23 September 2019 entered into among the Purchaser, the Vendors and the Target Company in relation to the Acquisition
“Sale Interest(s)”	the 80% equity interests in the Target Company as at the date of this announcement
“Share(s)”	ordinary share of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	青島東捷建設工程有限公司 (Qingdao Dongjie Construction Engineering Co., Ltd.*), a company established in the PRC with limited liability
“Vendor(s)”	collectively, 于華毅 (Yu Huayi*), 牟文樂 (Mou Wenle*), 牟麗萍 (Mou Liping*), 邴起宏 (Bing Qihong*), 丁培增 (Ding Peizeng*), 王金升 (Wang Jinsheng*), 董良玉 (Dong Liangyu*), 國得義 (Guo Deyi*), 季進亮 (Ji Jinliang*), 楊麗紅 (Yang Lihong*), 程顯祥 (Cheng Xianxiang*), 孫艦 (Sun Jian*), 孫曉林 (Sun Xiaolin*), 郭立敏 (Guo Limin*) and 李沖 (Li Chong*)
“%”	per cent

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

Amounts denominated in RMB in this announcement have been converted into HK\$ at the rate of RMB1 to HK\$1.1 for illustrative purposes only.

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

Hong Kong, 23 September 2019

As at the date of this announcement, the Board comprised executive Directors 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.