瑞港建設控股有限公司
PROSPER CONSTRUCTION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6816)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

CHANGE IN CONTROLLING SHAREHOLDER

On 16 August 2018, Qingdao West Coast Holdings (Internation) Limited completed the acquisition of the shares of the Company and became the controlling shareholder of the Company.

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2018	2017
	HK$ million	*HK$ million*
Revenue	**384.6**	633.3
Profit for the year	**30.4**	64.5
Earnings per share *(HK cents)*	**3.80**	8.06
Dividend per share *(HK cents)*	**Nil**	2.0

	As at 31 December	
	2018	2017
	HK$ million	*HK$ million*
Total assets	**819.4**	865.9
Total equity	**499.7**	504.4
Equity per share *(HK$)*	**0.62**	0.63

The board (the "Board") of directors (the "Directors") of Prosper Construction Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018 (the "Year 2018") together with comparative figures for the year ended 31 December in 2017 (the "Year 2017") as set out below:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	*3*	**384,576**	633,347
Cost of sales		**(313,276)**	(539,040)
Gross profit		**71,300**	94,307
Other income and gains		**3,071**	3,599
Loss on disposal of a joint venture		**–**	(294)
Impairment losses on financial assets		**(8,031)**	–
Other administrative expenses		**(28,381)**	(26,320)
Operating profit		**37,959**	71,292
Finance income		**2,189**	718
Finance costs		**(6,739)**	(4,833)
Finance costs, net		**(4,550)**	(4,115)
Profit before income tax		**33,409**	67,177
Income tax expenses	*4*	**(2,994)**	(2,707)
Profit for the year		**30,415**	64,470
Other comprehensive loss			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**(8,858)**	(177)
Profit and total comprehensive income attributable to equity holders of the Company		**21,557**	64,293
Basic and diluted earnings per share *(HK cents)*	*5*	**3.80**	8.06

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Plant and equipment		**217,620**	230,185
Investment in a joint venture		**–**	–
Deposits		**8,279**	8,387
		225,899	238,572
Current assets			
Trade and retention receivables	*7*	**349,061**	309,571
Deposits, prepayments and other receivables		**26,280**	8,830
Contract assets	*8*	**78,143**	–
Amounts due from contract customers		**–**	73,615
Amounts due from the other partner of a joint operation		**129**	50
Income tax recoverable		**3,631**	2,529
Time deposits with maturity over 3 months		**16,353**	15,103
Pledged bank deposits		**13,200**	24,251
Cash and cash equivalents		**106,657**	193,348
		593,454	627,297
Total assets		**819,353**	865,869
EQUITY			
Capital and reserves			
Share capital	*10*	**8,000**	8,000
Reserves		**491,680**	496,416
Total equity		**499,680**	504,416

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**788**	12,500
Deferred income tax liabilities		**11,655**	8,473
		12,443	20,973
Current liabilities			
Trade and retention payables	*9*	**42,055**	61,551
Accruals and other payables	*9*	**16,295**	18,028
Contract liabilities	*8*	**100,900**	–
Amounts due to contract customers		**–**	96,724
Amount due to a related company		**6,507**	–
Borrowings		**138,958**	160,266
Income tax payable		**2,515**	3,911
		307,230	340,480
Total liabilities		**319,673**	361,453
Total equity and liabilities		**819,353**	865,869

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$") unless otherwise stated and were approved for issue on 26 March 2019.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The accounting policies and methods of computation used in the preparation of the consolidated financial statements for the year ended 31 December 2018 are consistent with those used in the preparation of the Group's audited financial statements for the year ended 31 December 2017, except as described below.

2.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. Of these, the following are relevant to the Group's consolidated financial statements.

- HKFRS 9 Financial Instruments, and

- HKFRS 15 Revenue from Contracts with Customers

The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

The below explains the impact of adoption of HKFRS 9 Financial Instruments ("HKFRS 9") and HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") on the Group's consolidated financial statements.

(a) ***Adoption of HKFRS 9***

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

Classification and measurement of financial instruments

The financial assets held by the Group mainly represents debt instruments previously classified as loans and receivables and measured at amortised cost, meet the conditions for classification at amortised cost under HKFRS 9. Accordingly, there is no impact on the Group's accounting for financial assets.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

Impairment of financial assets

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

— trade and retention receivables

— contract assets relating to construction services

— other financial assets at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's consolidated financial statements are set out in note 2.1(c).

(b) *Adoption of HKFRS 15*

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The Group has adopted the modified retrospective approach with the cumulative effect on initial adoption recognised at the date of initial application, which is 1 January 2018, and comparative information has not been restated. The new accounting policies are as follows:

(i) Construction services

Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. The Group has applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation. The Group considers the input method better depicts the Group's performance in transferring control of goods or services to their customers.

(ii) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. In the consolidated balance sheet, the contract assets mainly consist of unbilled revenue arising from the construction contracts and contract liabilities mainly consist of the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

(c) ***Impact to the financial statements of adoption of HKFRS 9 and HKFRS 15***

The following tables summarise the impacts of adopting HKFRS 9 and HKFRS 15 on the Group's consolidated balance sheet as at 1 January 2018.

Consolidated balance sheet

	As previously stated	**Effects of the adoption of HKFRS 15**	**Effects of the adoption of HKFRS 9**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2018				
ASSETS				
Trade and retention receivables	309,571	–	(2,428)	307,143
Contract assets	–	75,431	(623)	74,808
Amounts due from contract customers	73,615	(73,615)	–	–
Income tax recoverable	2,529	895	–	3,424
Others	480,154	–	–	480,154
Total assets	865,869	2,711	(3,051)	865,529
LIABILITIES				
Contract liabilities	–	106,677	–	106,677
Amounts due to contract customers	96,724	(96,724)	–	–
Others	264,729	–	–	264,729
Total liabilities	361,453	9,953	–	371,406
EQUITY				
Retained earnings	258,649	(7,242)	(3,051)	248,356
Others	245,767	–	–	245,767
Total equity	504,416	(7,242)	(3,051)	494,123

2.2 Impact of standards issued but not yet applied by the Group

- HKFRS 16

The new standard is not expected to be applied until the financial year beginning on or after 1 January 2019.

The Group does not expect that the adoption of HKFRS 16 will have significant impact on the Group's net profit in the future.

3 REVENUE AND SEGMENT INFORMATION

	Marine construction works *HK$'000*	Leasing of vessels and provision of auxiliary marine related services *HK$'000*	Total *HK$'000*
For the year ended 31 December 2018			
Revenue from customers and recognised over time	**134,510**	**250,066**	**384,576**
For the year ended 31 December 2017			
Revenue from customers and recognised over time	469,504	163,843	633,347

4 TAXATION

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	2018 ***HK$'000***	2017 *HK$'000*
Hong Kong profits tax		
Current income tax	**–**	83
Over-provision in prior year	**(176)**	–
Deferred income tax	**3,182**	(929)
Indonesia income tax		
Withholding income tax	**14**	2,590
Interest income tax	**–**	(47)
Macao complementary income tax		
Current income tax	**–**	822
Over-provision in prior year	**(26)**	–
Malaysia corporate income tax		
Current income tax	**–**	188
	2,994	2,707

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

Indonesia income tax is charged through a system of withholding taxes. Companies are required to withhold final income tax for construction works performance and interest income from bank deposits. For the year ended 31 December 2018, income tax has been provided at the rate of 3% (2017: 3%) of the construction revenue and 20% (2017: 20%) of the interest income from bank deposits.

Macao complementary income tax has been provided at the rate of 12% (2017: 12%) on the estimated assessable profit for the year.

Malaysia corporate income tax has been provided at the rate of 24% on the estimated assessable profit for 2017.

5 EARNINGS PER SHARE

(a) Basic

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

	2018	2017
Profit attributable to equity holders of the Company *(HK$'000)*	**30,415**	64,470
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)*	**800,000**	800,000
Basic earnings per share *(HK cents)*	**3.80**	8.06

(b) Diluted

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

6 DIVIDENDS

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
No dividend was proposed for the year ended 31 December 2018. Final dividend of HK$0.02 per ordinary share was proposed for the year ended 31 December 2017	**–**	16,000

7 TRADE AND RETENTION RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**299,421**	254,487
Less: Provision for impairment	**(7,802)**	–
Trade receivables, net	**291,619**	254,487
Retention receivables	**57,442**	55,084
Trade and retention receivables	**349,061**	309,571

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

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

	2018	2017
	HK$'000	*HK$'000*
Current	**39,848**	60,664
Up to 1 year	**110,285**	86,013
1 to 2 years	**53,237**	67,132
Over 2 years	**88,249**	40,678
	291,619	254,487

8 CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	31 December 2018	1 January 2018	31 December 2017
	HK$'000	*HK$'000*	*HK$'000*
Contract assets			
Provision of construction services	**81,423**	75,431	–
Less: Provision for impairment of contract assets	**(3,280)**	(623)	–
	78,143	74,808	–
Contract liabilities			
Provision of construction services	**(100,900)**	(106,677)	–

9 TRADE AND RETENTION PAYABLES, ACCRUALS AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**37,816**	56,653
Retention payables	**4,239**	4,898
Accruals and other payables	**16,295**	18,028
	58,350	79,579

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

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

	2018	2017
	HK$'000	*HK$'000*
Current	**460**	45,657
1 to 30 days	**1,670**	6,944
31 to 60 days	**1,180**	2,253
61 to 90 days	**1,799**	775
91 to 180 days	**639**	1,024
181 to 365 days	**–**	–
More than 365 days	**32,068**	–
	37,816	56,653

10 SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares, authorised:		
At 31 December 2016, 2017 and 2018	4,000,000,000	40,000
Ordinary shares, issued and fully paid:		
At 31 December 2016, 2017 and 2018	800,000,000	8,000

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Major projects

During the year ended 31 December 2018 ("Year 2018"), the Group derived the majority of its revenue from its projects in Pakistan, followed by Hong Kong and Macao. A breakdown of the Group's revenue by geographic location and major projects for the Year 2018 is set out in the table below.

	Revenue recognised in Year 2018 *HK$'million*	**Contribution to total revenue**	**Current status**
Pakistan			
Leasing of vessels and engineering equipment and provision of auxiliary marine related services	225.8	58.7%	Ongoing and expecting completion in Q2/2019.
Macao			
Engineering, procurement and construction ("EPC") contract for electricity generation facility	47.8	12.4%	Ongoing and expecting completion in Q2/2022.
Others	6.8	1.8%	
Hong Kong			
Pier construction	31.5	8.2%	Substantially completed and expecting completion in Q1/2019.
Underground structure and excavation	30.1	7.8%	Ongoing and expecting completion in Q2/2019.
Others	31.1	8.1%	
Other locations	11.5	3.0%	
Total	384.6	100%	

During Year 2018, the Group achieved favourable results from its vessels and engineering equipment leasing project and provision of auxiliary marine related services in Pakistan. Having established itself with reputable track record in the region, the Group successfully secured another vessels and engineering equipment leasing contract with an electricity powering plant in Pakistan commencing from February 2019.

The Group's EPC contract for electricity generation facility in Macao progressed slowly during Year 2018, pending finalisation of change in design for the project by the owner. The Group has entered into a supplemental agreement with the project owner for the EPC project in late 2017 with an expanded scope of works and contract sum according to and as a result of the new project design; project works have since resumed and are expected to be in full swing in year 2019. Furthermore, the Group has been awarded two contracts for reclamation works in Macao commencing in the first half of year 2019 and it is expected Macao will once again become the key geographic source of revenue to the Group in the coming two years.

Outlook and prospects

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

	Location	**Estimated remaining contract sum** *HK$'million*	**Expected time of completion**
Project(s) that have already commenced as at 31 December 2018			
Leasing of vessels and engineering equipment and provision of auxiliary marine related services	Pakistan	17.1	Q2/2019
EPC contract for an electricity generation facility	Macao	444.9	Q2/2022
Project(s) that will be commencing or are newly awarded in 2019			
Land reclamation	Macao	736.3	Q1/2021
Leasing of vessels and engineering equipment for transhipment	Pakistan	53.0	Q4/2019

In addition to the above key projects on hand, the Group is negotiating and/or in the process of bidding for a number of sizeable potential projects, including a vessel and equipment chartering project in Vietnam, a pier construction project in Indonesia and a dredging project in Hong Kong. The Group is confident in securing and undertaking more marine engineering projects with strong backing from our new controlling shareholder.

Review on Results

Revenue

The Group recorded revenue of HK$384.6 million for the Year 2018, representing a decline of approximately 39.3% from the year ended 31 December 2017 ("Year 2017"), which is in part due to a portion of management time and resources being diverted to handle non-recurring matters relating to the change in the controlling shareholdings in the Company, leading to less resources available for deployment to business development during the Year 2018. A breakdown of the Group's revenue from major projects and by geographic location is set out in the section headed "Business Review" above.

The Group's revenue from marine construction works for the Year 2018 decreased by approximately 71.4% to HK$134.5 million from that of HK$469.5 million for the Year 2017; such was mainly attributable to the delay in progress in the Group's ongoing project in Macao owing to change in construction design by the project owner, which is out of control and the scope of responsibilities of the Group. Other than in Macao, the remaining marine construction revenue of approximately HK$79.9 million was derived from a number of relatively smaller projects in Hong Kong and other countries.

On the other hand, the Group's revenue from leasing of vessels and equipment and provision of auxiliary marine related services in Pakistan increased by approximately 55.3% to HK$225.8 million for the Year 2018, as the relevant lease(s) commenced in second half of the Year 2017 and continued in a material time during the Year 2018, with further revenue of HK$24.3 million recorded from short-term leases at various locations.

Cost of sales and gross profit

The Group's cost of sales decreased by HK$225.8 million or approximately 41.9% in the Year 2018, which is generally in line with the decline in revenue. Gross profit for the Year 2018 was HK$71.3 million as compared to HK$94.3 million for the Year 2017, whereas the gross profit margin increase to 18.5% from that of 14.9% for the Year 2017. The increase in gross profit margin was mainly because a higher proportion of the Group's revenue was generated from leasing of vessels and equipment and provision of auxiliary marine related services, which generally yields a higher profit margin as less direct costs is required as compared to marine construction works, in the Year 2018.

Other administrative expenses

Administrative expenses increased by HK$2.1 million to HK$28.4 million for the Year 2018, which was mainly attributable to additional professional fees incurred in relation to the takeover of the controlling shareholdings in the Company, which are non-recurring in nature.

Impairment losses on financial assets

The amount represents a provision for expected credit loss amounting to HK$8.0 million made for the Year 2018 based on the management's latest assessment of risk of default in general on the Group's financial assets, as compared to nil for the Year 2017.

Income tax expenses

The Group incurred relative low level of income tax expenses for both Year 2017 and Year 2018, which was attributable to the increase in leasing income sourced from overseas location where the applicable tax jurisdiction provided for favourable tax treatment or the Group's customer as lessee had agreed to take up the tax liability for the lessor.

Profit for the year

The Group's profit for the Year 2018 decreased by 52.9% to HK$30.4 million as compared to HK$64.5 million for the Year 2017 as a result of the combined effect of (i) the decline in revenue, (ii) the corresponding decline in cost of sales, and (iii) increase in other administrative expenses for reasons mentioned above.

Plant and equipment

As at 31 December 2018, the Group owned a total of 44 units of marine vessels and 57 units of machinery and equipment. The Group did not carry out material acquisition or disposal of plant and equipment during the Year 2018.

Trade and retention receivables

The Group's trade and retention receivables increased to HK$349.1 million as at 31 December 2018, which mainly comprised of receivables for works on projects already completed and pending finalising of project account with customers and rentals in arrears for leasing of vessels and equipment and provision of auxiliary marine related services in Pakistan. During the Year 2018, the Group reached agreement on project final account with our customers of two projects in Indonesia and it is expected payment will be received in year 2019. Albeit there is currently no indication of possible default on any of the Group's receivable balances, management acknowledges there is certain default risks associated with receivables balances in general and has adopted a systematic approach in assessing the overall risk of default and appropriate provision for expected credit loss has been made against the Group's receivable balances as at 31 December 2018.

Contract assets/liabilities

Contract assets represent amounts due from customers for contract works performed which had not been billed as at end of the financial year, majority of which was related the three previously completed projects in Hong Kong pending the finalisation of project account. According to the respective project work contract, where consensus cannot be reached between the employer and the subcontractor on interim certification of works performed, such discrepancy would be subject to assessment during finalisation of project account, which is due to commence only when the main contract for the project as a whole (of which the Group's marine work contract form part) is completed. Based on preliminary assessment by the Group's project legal consultant, the Group would be able to recover not less than the carrying value of the amounts due from contract customers as at 31 December 2018 for the aforesaid three completed projects and would instigate dispute resolution procedures if and when determined fit.

Contract liabilities as at 31 December 2018 represent amounts due to contract customers for payment received in excess of revenue recognisable by the Group according to the progress achieved on the Group's electricity generation facility project in Macao.

Liquidity, Capital Structure and Gearing

The Group maintained a healthy liquidity position with net current asset balance and net debt position of approximately HK$286.2 million (31 December 2017: HK$286.8 million) and HK$3.5 million (31 December 2017: net cash position of approximately HK$59.9 million) respectively as at 31 December 2018. The Group's gearing ratio (calculated by dividing total debts by total equity) as at 31 December 2018 was 28.0% (31 December 2017: 34.3%); the drop in gearing during the Year 2018 was due to the (i) repayment of bank loans from the Group's internal cash reserve; and (ii) less bank loans being drawn due to the slowdown in the Group's marine construction works business. The Group has no unutilised banking facilities as at 31 December 2018 (31 December 2017: HK$5.0 million). The maturity and interest rate profile of the Group's borrowings are set out below.

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Within 1 year	**108,531**	107,980
Between 1 and 2 years	**27,687**	48,191
Between 2 and 5 years	**3,528**	16,595
	139,746	172,766

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

	2018	2017
Short-term bank loans	**3.7%**	3.7%
Long-term bank loans	**4.6%**	4.5%

Foreign Exchange

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

Capital Expenditures and Commitments

The Group generally finances its capital expenditures by cash flows generated from its operation and long-term bank borrowings. During the Year 2018, the Group invested approximately HK$11.9 million in acquisition of vessels and approximately HK$1.8 million in machinery and equipment, among others.

The Group's fleet of vessels for marine construction works reduced by 3 units during the Year 2018 to a total of 44 units as at 31 December 2018, with order placed for 5 further vessels which are yet to be delivered.

The Group's committed orders for capital equipment as at 31 December 2018 amounted to approximately HK$12.1 million and it is intended that such purchases will be financed by bank borrowings.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year 2018.

Significant Investments Held

The Group had not held any significant investments during the Year 2018.

Charges on Assets

As at 31 December 2018, plant and equipment with carrying value of (i) approximately HK$17.5 million (2017: HK$16.1 million) were pledged to secure for the Group's bank borrowings; and (ii) approximately HK$21.9 million (2017: HK$22.1 million) were pledged as security for provision of a performance bond and a prepayment surety bond for the Group's project in Macao.

Contingent Liabilities

As at 31 December 2018, plant and equipment with carrying value of approximately HK$21.9 million (2017: HK$22.1 million) were pledged as security for provision of a performance bond and a prepayment surety bond for the Group's project in Macao.

As at 31 December 2018, the joint operations held by the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business, and the amounts shared by the Group were HK$21.1 million (2017: HK$20.8 million). The performance bonds as at 31 December 2018 are expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantee given on these performance bonds, the Group has no material contingent liabilities.

Relationships with Employees, Customers and Suppliers

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

Employees and remuneration policies

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

The number of staff of the Group by functions as at 31 December 2018 and 2017 are as follows:

	As at 31 December	
	2018	2017
Management and administration	**10**	18
Accounting and finance	**3**	3
Human resources	**1**	1
Project management	**8**	5
Project execution	**71**	87
	93	114

The total staff costs of the Group (including Directors' emoluments, salaries to staff, direct wages and other staff benefits included provident fund contributions and other staff benefits) for the Year 2018 was approximately HK$54.2 million (2017: HK$52.7 million). The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance of the employees by salary revision, bonus and promotion where suitable. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor any difficulty in the recruitment and retention of experienced staff.

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

	Year ended 31 December	
	2018	2017
Nil to HK$1,000,000 per annum	**2**	3

Customers and suppliers

The executive Directors and the Group's management team maintain frequent contact with both public and private sector participants in the construction industry in Hong Kong, Macao and overseas to keep abreast of market developments and potential business opportunities. Having been in operation in Hong Kong since 2001, and with the prior experience of the Group's senior management members in managing similar projects overseas, the Group has developed a good reputation in the construction industry. With the Group's experience in working with PRC state-owned construction enterprises and their branch offices in Hong Kong and overseas, the Group has up-to-date information regarding new business opportunities in infrastructure projects to be undertaken or tendered by such construction enterprises in Hong Kong, Macao and Southeast Asia. The Directors believe that the Group has maintained and will be able to continue to maintain good relationships with customers, potential customers, suppliers, subcontractors and other parties involved in the business. The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

Environmental Policies

The Group is committed to environment conservation when undertaking its operation and has implemented various systems and measures to minimise the possibility of pollution and to preserve the marine ecological environment, which include but are not limited to the following:

(i) identifying environmental protection requirements in project tender documents and assessing whether the Group has the capability to meet such requirements;

(ii) taking into consideration the environmental impacts in project planning and the design of work method statements;

(iii) equipping all of the Group's vessels with fuel leakage defence equipment for suppressing the spread of floating fuel spills in case of leakage;

(iv) installing facilities as required to prevent contamination, such as silt curtains to prevent sediment pollution when carrying out land reclamation works and underwater bubble curtains to act as a noise barriers to reduce noise level from marine piling works; and

(v) sorting excavated materials from dredging and excavation works for recycling use or disposal, and in case of contaminated sediment, disposing of the excavated materials at designated dumping area according to the relevant regulations.

The Group is accredited with ISO14001 and follows the procedures and requirements of the environmental management system in its operation. There had been no sanctions or penalties imposed on the Group for violation of any environmental laws or regulations during the Year 2018.

Principal Risk and Uncertainty

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

Significant Events After the Financial Year

No significant event has occurred after 31 December 2018 and up to the date of this announcement which would have a material effect on the Group.

Corporate Governance Practices

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

The Company has adopted the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and has complied with the code provisions throughout the Year 2018, except in relation to the followings:

Deviation from the CG Code	**Remedial steps taken**
Mr. Cui Qi acted as both the chairman of the Board and chief executive officer ("CEO") of the Group during the period from 1 January 2018 to 3 October 2018.	Mr. Liu Luqiang was appointed as chairman of Board in place of Mr. Cui Qi with effect from 4 October 2018.
The nomination committee of the Board was not chaired by either the chairman of the Board or an independent non-executive Director and did not comprise a majority of independent non-executive Directors during the period from 4 October 2018 to 13 December 2018, which did not comply with provision A.5.1 of the CG Code.	Mr. Liu Luqiang, Mr. Wang Yaping and Mr. Cheng Xuezhan were appointed as members of the nomination committee, with Mr. Liu Luqiang acting chairman of the nomination committee, with effect from 14 December 2018.

Save as disclosed above, the Company has been in compliance with all the provisions of the CG Code since 14 December 2018.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") and all the Directors confirmed, upon specific enquiry made, that they complied with the Model Code throughout the Year 2018.

The Company has also established guidelines no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company and there is no incident of non-compliance with such guidelines by the relevant employees throughout the Year 2018.

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

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the Year 2018.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year 2018.

Change of Controlling Shareholder

The Company was informed by Sky Hero Global Limited (the "Vendor") that, on 18 July 2018 after trading hours, the Vendor, Qingdao West Coast Holdings (Internation) Limited ("QD West Coast Group"), Mr. Cui Qi and Mr. Yu Ming entered into a sale and purchase agreement pursuant to which the Vendor conditionally agreed to sell and QD West Coast Group conditionally agreed to acquire a total of 408,000,000 shares (the "Sale Shares"), representing approximately 51.00% of the entire issued share capital of the Company as at the date of the joint announcement published by the Company and QD West Coast Group dated 1 August 2018, for a consideration of HK$537,540,000 (equivalent to HK$1.3175 per Sale Share) (the "Share Purchase"). The consideration for the Sale Shares was determined after arm's length negotiations between the Vendor and QD West Coast Group. The Share Purchase was completed on 16 August 2018.

Immediately following the completion of the Share Purchase, QD West Coast Group, its ultimate beneficial owner and parties acting in concert with any of them were interested in 408,000,000 shares, representing approximately 51.00% of the total issued share capital of the Company.

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, QD West Coast Group made a mandatory unconditional cash offer (the "Offer") for all the issued shares of the Company not already owned or agreed to be acquired by QD West Coast Group and parties acting in concert with it. The Offer, as made, was unconditional in all respects and the principal terms were set out in the joint announcement published by QD West Coast Group and the Company dated 1 August 2018.

The Offer was closed at 4:00 p.m. on 3 October (the "Offer Date") and was not revised or extended by QD West Coast Group. As at 4:00 p.m. on the Offer Date, being the latest time and date for acceptance of the Offer, QD West Coast Group received valid acceptances in respect of the Offer for a total of 260,935,000 shares, representing approximately 32.62% of the entire issued share capital of the Company. After the completion of the Offer, QD West Coast Group and the parties acting in concert with it was interested in 668,935,000 shares, representing approximately 83.62% of the entire issued share capital of the Company.

Details of, among others, the change of controlling shareholder of the Company and QD West Coast Group were set out in the joint announcement issued by QD West Coast Group and the Company dated 1 August 2018, the composite offer and response document jointly issued by QD West Coast Group and the Company dated 12 December 2018 and the joint announcement issued by QD West Coast Group and the Company dated 3 October 2018.

Sufficiency of Public Float

Following the close of the Offer on 3 October 2018, 29,065,000 shares were held by the public (within the meanings of the Listing Rules), representing approximately 3.63% of the total number of issued share capital of the Company. Accordingly, less than 25% of the total number of issued shares (being the minimum prescribed percentage applicable to the Company) were held by the public and the Company did not satisfy the minimum public float requirement as set out under Rule 8.08(1)(a) of the Listing Rules. Trading in Shares on the Stock Exchange had been suspended since 4 October 2018 as the percentage of public float of the Company fell below 15% pursuant to Rule 8.08(1)(b) of the Listing Rules. An application was made by the Company to the Stock Exchange for a temporary waiver from the strict compliance with Rules 8.08(1)(a) of the Listing Rules. On 12 October 2018, the Stock Exchange had granted the waiver to the Company for a period from 3 October 2018 (i.e. closing date of the Offer) to 31 December 2018 (the "Waiver"). The Company had been informed by QD West Coast Group that on 19 December 2018, QD West Coast Group had completed a placement of its 94,200,000 shares, representing approximately 11.78% of the entire issued share capital of the Company, to a third party independent of and not a core connected person (as defined under the Listing Rules) of the Company. Immediately completion of the aforementioned placement, a total of 123,265,000 shares, representing approximately 15.41% of the entire issued share capital of the Company, were held by the public. The Company was then informed by QD West Coast Group that additional time was required to place down further Shares in order to restore the public float of the Company as required under Rule 8.08(1)(a) of the Listing Rules. Applications were made by the Company to the Stock Exchange for extension of the Waiver. On 27 December 2018, the Stock

Exchange had granted the Company an extension of the Waiver for the period from 1 January 2019 to 1 February 2019. On 8 February 2018, the Stock Exchange had further granted the Company an extension of the Waiver for the period from 1 February 2019 to 30 April 2019.

Details of public float of the Company were set out in the joint announcement issued by QD West Coast Group and the Company dated 3 October 2018, and announcements issued by the Company dated 12 October 2018, 31 December 2018, 30 January 2019 and 8 February 2019.

Dividend Policy and Dividends

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

The Directors do not recommended the payment of a dividend for the Year 2018.

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

Review of Annual Results

The audit committee of the Board has reviewed the consolidated financial statements of the Group for the Year 2018 and this results announcement. The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

Publication of the Annual Results and Annual Report

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 March 2019

As at the date of this announcement, the Board comprised executive Directors Mr. LIU Luqiang (chairman of the Board), Mr. CUI Qi, Mr. ZHU Jiangfeng and Mr. XUE Qingfu; non-executive Director Mr. WANG Xuejun; and independent non-executive Directors Mr. CHEUNG Chi Man Dennis, Mr. WANG Yaping and Mr. CHENG Xuezhan.