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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)

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2018*

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2018</b>	2017
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	5	<b>257,683</b>	365,736
Cost of sales		<u><b>(213,307)</b></u>	<u>(316,838)</u>
Gross profit		<b>44,376</b>	48,898
Other income and gain, net		<b>1,679</b>	63
Other administrative expenses		<u><b>(12,089)</b></u>	<u>(12,394)</u>
Operating profit		<b>33,966</b>	36,567
Finance income		<b>178</b>	346
Finance costs		<u><b>(3,425)</b></u>	<u>(2,097)</u>
Finance costs, net		<u><b>(3,247)</b></u>	<u>(1,751)</u>
Profit before income tax		<b>30,719</b>	34,816
Income tax expense	6	<u><b>(24)</b></u>	<u>(4,366)</u>
Profit for the period		<u><b>30,695</b></u>	<u>30,450</u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of foreign operations		<u><b>(6,840)</b></u>	<u>2,241</u>
Other comprehensive income for the period		<u><b>(6,840)</b></u>	<u>2,241</u>
Profit and total comprehensive income attributable to equity holders of the Company		<u><b>23,855</b></u>	<u>32,691</u>
Basic and diluted earnings per share (HK cents)	8	<u><b>3.84</b></u>	<u>3.81</u>

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2018</b>	2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment		<b>229,526</b>	230,185
Deposits		<u><b>7,332</b></u>	<u>8,387</u>
		<u><b>236,858</b></u>	<u>238,572</u>
<b>Current assets</b>			
Trade and retention receivables	9	<b>317,397</b>	309,571
Deposits, prepayments and other receivables	9	<b>13,081</b>	8,830
Amounts due from contract customers		<b>80,809</b>	73,615
Amounts due from the other partner of a joint operation		<b>74</b>	50
Income tax recoverable		<b>3,679</b>	2,529
Time deposits with maturity over 3 months		<b>19,092</b>	15,103
Pledged bank deposits		<b>13,200</b>	24,251
Cash and cash equivalents		<u><b>200,324</b></u>	<u>193,348</u>
		<u><b>647,656</b></u>	<u>627,297</u>
<b>Total assets</b>		<u><b>884,514</b></u>	<u>865,869</u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		<b>8,000</b>	8,000
Reserves		<u><b>504,271</b></u>	<u>496,416</u>
<b>Total equity</b>		<u><b>512,271</b></u>	<u>504,416</u>

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2018</b>	2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>11</i>	<b>8,186</b>	12,500
Deferred income tax liabilities		<b>8,473</b>	8,473
		<u><b>16,659</b></u>	<u>20,973</u>
<b>Current liabilities</b>			
Trade and retention payables	<i>10</i>	<b>46,766</b>	61,551
Accruals and other payables	<i>10</i>	<b>15,282</b>	18,028
Amounts due to contract customers		<b>119,396</b>	96,724
Amount due to a related company		<b>3,585</b>	–
Dividend payable		<b>16,000</b>	–
Borrowings	<i>11</i>	<b>158,897</b>	160,266
Income tax payable		<b>2,900</b>	3,911
		<u><b>362,826</b></u>	<u>340,480</u>
Total liabilities		<u><b>379,485</b></u>	<u>361,453</u>
Total equity and liabilities		<u><b>884,514</b></u>	<u>865,869</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2018*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Exchange reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	8,000	214,840	23,104	–	218,179	464,123
<b>Comprehensive income</b>						
Profit for the period	–	–	–	–	30,450	30,450
<b>Other comprehensive income</b>						
Exchange differences	–	–	–	2,241	–	2,241
<b>Contribution by and distribution to owner</b>						
Dividends declared ( <i>Note 7</i> )	–	–	–	–	(24,000)	(24,000)
At 30 June 2017 (unaudited)	<u>8,000</u>	<u>214,840</u>	<u>23,104</u>	<u>2,241</u>	<u>224,629</u>	<u>472,814</u>
At 31 December 2017 (audited)	<b>8,000</b>	<b>214,840</b>	<b>23,104</b>	<b>(177)</b>	<b>258,649</b>	<b>504,416</b>
Change in accounting policies	–	–	–	–	(7,242)	(7,242)
At 1 January 2018	<b>8,000</b>	<b>214,840</b>	<b>23,104</b>	<b>(177)</b>	<b>251,407</b>	<b>497,174</b>
<b>Comprehensive income</b>						
Profit for the period	–	–	–	–	30,695	30,695
<b>Other comprehensive income</b>						
Exchange differences	–	–	–	(6,840)	–	(6,840)
<b>Contribution by and distribution to owner</b>						
Dividends declared ( <i>Note 7</i> )	–	–	–	–	(16,000)	(16,000)
At 30 June 2018 (unaudited)	<u>8,000</u>	<u>214,840</u>	<u>23,104</u>	<u>(7,017)</u>	<u>273,344</u>	<u>512,271</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Net cash used in operations	19,634	(25,281)
Interest received	176	346
Interest paid	(3,425)	(2,097)
Income tax paid	(1,321)	(899)
	<u>15,064</u>	<u>(27,931)</u>
<b>Net cash generated from/(used in) operating activities</b>	<u>15,064</u>	<u>(27,931)</u>
Cash flows from investing activities		
Purchase of plant and equipment	(9,581)	(20,154)
Proceeds from disposal of plant and equipment	312	3
(Increase)/decrease in time deposits with maturity over 3 months	(3,989)	4,370
Decrease in pledged bank deposits	11,051	7,631
	<u>(2,207)</u>	<u>(8,150)</u>
<b>Net cash used in investing activities</b>	<u>(2,207)</u>	<u>(8,150)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	26,000	69,709
Repayments of borrowings	(31,683)	(23,078)
Dividend paid	–	(21,293)
	<u>(5,683)</u>	<u>25,338</u>
<b>Net cash (used in)/generated from financing activities</b>	<u>(5,683)</u>	<u>25,338</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	7,174	(10,743)
Cash and cash equivalents at beginning of the period	193,348	220,157
Effect of foreign exchange rate changes	(198)	827
	<u>200,324</u>	<u>210,241</u>
<b>Cash and cash equivalents at end of the period</b>	<u>200,324</u>	<u>210,241</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

### 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, lease and trade of vessels. The Company's shares are listed on The Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$") unless otherwise stated.

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2018 has not been audited.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2017 ("2017 Financial Statements").

### 2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the 2017 Financial Statements, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of this condensed consolidated interim financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial information, are disclosed in note 4 below.

**(a) Adoption of new or revised HKFRSs effective on 1 January 2018**

The following amendments to HKFRSs that are first effective for the current accounting period and relevant to the Group:

HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2 (Amendment)	Classification and Measurement of Share based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of these new standards and amendments to existing standards does not have any significant impact to the results and financial position of the Group's condensed consolidated interim financial information. The retrospective effects on initial application of certain relevant HKFRSs have been recognised as adjustment to the Group's retained earnings at 1 January 2018 without restatement of prior year's financial statements.

**(b) New or revised HKFRSs that have been issued but are not yet effective**

The following are standards and amendments to existing standards that have been published and are relevant, but have not been early adopted by the Group.

Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Tax; HKAS 23 Borrowing costs; HKFRS 3, Business Combinations; HKFRS 11, Joint Arrangements <sup>(1)</sup>
HKFRS 9 (Amendment)	Prepayment Features with Negative compensation <sup>(1)</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(3)</sup>
HKFRS 16	Leases <sup>(1)</sup>
HKFRS 17	Insurance Contracts <sup>(2)</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>(1)</sup>

<sup>(1)</sup> Effective for the Group for annual period beginning on 1 January 2019.

<sup>(2)</sup> Effective for the Group for annual period beginning on 1 January 2021.

<sup>(3)</sup> Effective date to be determined.

Management is in the process of making an assessment on the impact of these new and revised standards, amendments or interpretations but is not yet in a position to determine whether they will have a significant impact on the Group's results of operations and financial position.

### **3 FINANCIAL RISK MANAGEMENT**

#### **3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2017 Financial Statements.

There have been no changes in the risk management or any risk management policies since the year end.

#### **3.2 Fair value estimation**

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, pledged bank deposits, time deposits, trade and retention receivables, deposits and other receivables, amounts due from the other partner of a joint operation, and trade and retention payables, other payables, amount due to a related company and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

### **4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the critical accounting estimates and judgements applied were consistent with those described in the 2017 Financial Statements.



## 5 REVENUE AND SEGMENT INFORMATION

### (a) Revenue

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Rendering of services		
— Marine construction works	91,995	359,782
— Leasing of vessels	<u>165,688</u>	<u>5,954</u>
	<u>257,683</u>	<u>365,736</u>

### (b) Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as three operating segments of Marine construction works, Leasing of vessels and Trading of vessels. They review financial information accordingly.

Segment revenue is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

Segment assets mainly consist of current assets and non-current assets as disclosed in the condensed consolidated balance sheet except for unallocated cash and bank balances, income tax recoverable, and certain amounts due from related parties.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the condensed consolidated balance sheet except for income tax payable, deferred tax liabilities, borrowings, dividend payable and certain amounts due to related parties.

*Profit or loss*

	<b>Marine construction works</b>	<b>Leasing of vessels</b>	<b>Trading of vessels</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>For the six months ended 30 June 2018 (unaudited)</b>				
Segment results	1,679	40,199	–	41,878
Unallocated expenses				(7,451)
Depreciation				(461)
Finance costs, net				<u>(3,247)</u>
Profit before income tax				30,719
Income tax expense				<u>(24)</u>
Profit for the period				<u><u>30,695</u></u>
Included in segment results are:				
Depreciation	(7,353)	(1,393)	–	(8,746)
Finance income/(costs), net	<u>(691)</u>	<u>–</u>	<u>–</u>	<u>(691)</u>
<b>For the six months ended 30 June 2017 (unaudited)</b>				
Segment results	43,346	447	–	43,793
Unallocated expenses				(4,780)
Depreciation				(2,100)
Finance costs, net				<u>(2,097)</u>
Profit before income tax				34,816
Income tax expense				<u>(4,366)</u>
Profit for the period				<u><u>30,450</u></u>
Included in segment results are:				
Depreciation	(4,651)	(1,283)	–	(5,934)
Finance income/(costs), net	<u>335</u>	<u>(26)</u>	<u>–</u>	<u>309</u>

## Assets

	<b>Marine construction works</b> <i>HK\$'000</i>	<b>Leasing of vessels</b> <i>HK\$'000</i>	<b>Trading of vessels</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 30 June 2018 (unaudited)</b>				
Segment assets	344,443	294,454	–	638,879
Unallocated assets				<u>242,907</u>
Total assets				<u><b>881,804</b></u>
Additions to non-current assets	<u>8,342</u>	<u>1,231</u>	<u>–</u>	<u>9,573</u>
<b>At 31 December 2017 (audited)</b>				
Segment assets	436,416	176,399	–	612,815
Unallocated assets				<u>253,054</u>
Total assets				<u><b>865,869</b></u>
Additions to non-current assets	<u>87,851</u>	<u>–</u>	<u>–</u>	<u>87,851</u>

The information provided to chief operating decision maker with respect to total assets are measured in a manner consistent with that of the condensed consolidated interim financial information. These assets are allocated based on the operations of the segment.

## *Liabilities*

	<b>Marine construction works</b>	<b>Leasing of vessels</b>	<b>Trading of vessels</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>At 30 June 2018 (unaudited)</b>				
Segment liabilities	155,537	4,258	–	159,795
Dividend payable				16,000
Borrowings				167,083
Income tax payable				2,900
Deferred tax liabilities				8,473
Unallocated liabilities				<u>15,282</u>
Total liabilities				<u><u>369,533</u></u>
<b>At 31 December 2017 (audited)</b>				
Segment liabilities	169,225	–	–	169,225
Borrowings				172,766
Income tax payable				3,911
Deferred tax liabilities				8,473
Unallocated liabilities				<u>7,078</u>
Total liabilities				<u><u>361,453</u></u>

The Group's revenue from external customers attributable to the countries from which the Group derives revenue and information about its non-current assets excluding financial instruments and deferred income tax assets, located in the country of domicile are detailed below:

### *Revenue from external customers*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	56,531	47,455
Indonesia	309	78,788
Macao	42,444	233,522
Malaysia	–	5,971
Pakistan	<u>158,399</u>	<u>–</u>
	<u><u>257,683</u></u>	<u><u>365,736</u></u>

*Non-current assets*

(i) Based on countries of domicile of companies holding the assets:

	<b>Unaudited 30 June 2018 HK\$'000</b>	Audited 31 December 2017 HK\$'000
Hong Kong	216,854	213,284
Indonesia	16,313	12,899
Macao	3,673	3,981
Malaysia	<u>18</u>	<u>21</u>
	<b><u>236,858</u></b>	<b><u>230,185</u></b>

(ii) Based on physical location of the assets:

	<b>Unaudited 30 June 2018 HK\$'000</b>	Audited 31 December 2017 HK\$'000
Hong Kong	164,137	129,569
Indonesia	16,313	12,899
Macao	3,673	3,981
Malaysia	18	30,170
Pakistan	<u>52,717</u>	<u>53,566</u>
	<b><u>236,858</u></b>	<b><u>230,185</u></b>

## 6 INCOME TAX EXPENSE

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax		
Current income tax	(176)	–
Indonesia income tax		
Withholding income tax	9	2,302
Interest income tax	1	1
Macao complementary income tax		
Current income tax	190	1,929
Malaysia corporate income tax		
Current income tax	–	134
	<u>24</u>	<u>4,366</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2018 and 2017.

Macao complementary income tax has been provided at the rate of 12% on the estimated assessable profit for the six months ended 30 June 2018 and 2017.

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. The income tax has been provided at the rate of 3% of the construction income and 20% of the interest income from bank deposits for the six months ended 30 June 2018 and 2017.

Malaysia corporate income tax has been provided at the rate of 24% on the estimated taxable income.

## 7 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018 and 2017.

The final dividend in respect of the year ended 31 December 2017 amounting to HK\$16,000,000 has been approved by shareholders at the Company's annual general meeting and the payment for which has been despatched on 20 July 2018 (2017: HK\$24,000,000).

## 8 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 periods.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
Profit attributable to equity holders of the Company (HK\$'000)	<b>30,695</b>	30,450
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	<u><b>800,000</b></u>	<u>800,000</u>
Basic earnings per share (HK cents)	<u><b>3.84</b></u>	<u>3.81</u>

### (b) Diluted

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

## 9 TRADE AND RETENTION RECEIVABLES, AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables	<b>260,722</b>	254,487
Retention receivables	<u><b>56,675</b></u>	<u>55,084</u>
Trade and retention receivables	<u><b>317,397</b></u>	<u>309,571</u>
Deposits and other receivables ( <i>note</i> )	<b>20,413</b>	17,217
Less: non-current deposits	<u><b>(7,332)</b></u>	<u>(8,387)</u>
	<u><b>13,081</b></u>	<u>8,830</u>

*Note:* The balance mainly represents rental deposit, deposits for plant and equipment and other miscellaneous receivables.

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:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current	<b>40,967</b>	60,664
1 to 30 days	<b>5,257</b>	27,698
31 to 60 days	<b>19,123</b>	542
61 to 90 days	<b>20,256</b>	–
91 to 180 days	–	–
181 to 365 days	<b>20,021</b>	57,774
More than 1 year	<b>155,098</b>	107,809
	<b><u>260,722</u></b>	<b><u>254,487</u></b>

Retention receivables were classified as current assets. The ageing of the retention receivables based on invoice date was as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 1 year	<b>3,296</b>	3,734
Between 1 and 5 years	<b>53,379</b>	51,350
	<b><u>56,675</u></b>	<b><u>55,084</u></b>

## 10 TRADE AND RETENTION PAYABLES, ACCRUALS AND OTHER PAYABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade payables	<b>42,310</b>	56,653
Retention payables	<b>4,456</b>	4,898
Accruals and other payables ( <i>note i</i> )	<b>15,282</b>	18,028
	<b><u>62,048</u></b>	<b><u>79,579</u></b>

*note i:* The amounts mainly represent wages, legal and professional fees and transportation costs.

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:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current	<b>39,752</b>	45,657
1 to 30 days	–	6,944
31 to 60 days	–	2,253
61 to 90 days	–	775
91 to 180 days	–	1,024
181 to 365 days	<u>2,558</u>	<u>–</u>
	<u><b>42,310</b></u>	<u>56,653</u>

In the interim condensed consolidated balance sheet, retention payables were classified as current liabilities. The ageing of the retention payables based on invoice date was as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 1 year	<b>2,459</b>	827
Between 1 year and 2 years	<b>1,332</b>	3,406
Between 2 years and 5 years	<u>665</u>	<u>665</u>
	<u><b>4,456</b></u>	<u>4,898</u>

## 11 BORROWINGS

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Non-current:		
Long-term bank loans	<u>8,186</u>	<u>12,500</u>
Current:		
Long-term bank loans due for repayment within one year	15,852	13,883
Long-term bank loans due for repayment within one year which contain a repayment on demand clause	63,661	64,097
Long-term bank loans due for repayment after one year which contain a repayment on demand clause	49,384	52,286
Short-term bank borrowings	<u>30,000</u>	<u>30,000</u>
Total borrowings	<u><u>158,897</u></u>	<u><u>160,266</u></u>
	<u><u>167,083</u></u>	<u><u>172,766</u></u>

- (a) The maturity of borrowings is as follows:

In the interim condensed consolidated balance sheet, bank loans due for repayment after one year which contain repayment on demand clause were classified as current liabilities.

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 bank loans would be as follows:

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Within 1 year	109,513	107,980
Between 1 and 2 years	42,775	48,191
Between 2 and 5 years	<u>14,795</u>	<u>16,595</u>
	<u><u>167,083</u></u>	<u><u>172,766</u></u>

- (b) The carrying amounts of the Group's borrowings were denominated in Hong Kong dollar.
- (c) The carrying amounts of the Group's borrowings approximated their fair value as the impact of discounting is not significant.
- (d) The Group's loan facilities are subject to annual review and secured or guaranteed by:
- (i) unlimited guarantees provided by the Company as at 30 June 2018 and 31 December 2017;

- (ii) vessels and machinery and equipment with carrying amounts of HK\$18,515,000 (31 December 2017: HK\$16,117,000) as at 30 June 2018;
- (iii) deposits of not less than HK\$13,200,000 (31 December 2017: HK\$24,251,000) as at 30 June 2018; and
- (iv) guarantees of HK\$133,495,000 (31 December 2017: HK\$133,495,000) from a subsidiary for a bank facility which covers a loan of 24,272,000 (31 December 2017: HK\$24,272,000) and performance bond facility of HK\$97,087,000 (31 December 2017: HK\$97,087,000) as at 30 June 2018.

## 12 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the six months ended 30 June 2018:

<b>Name of the related party</b>	<b>Relationship with the Group</b>
Concentric-Hong Kong River Joint Venture (“CHKRJV”)	A joint operation
中國土木工程(澳門)有限公司 — 香港瑞沃工程有限公司 合作經營 (“MCRJV”)	A joint operation
香港瑞沃(澳門)工程有限公司 — 中基基礎工程有限公司 合作經營	A joint operation
Shenzhen Changsheng Marine Engineering Limited (“Shenzhen Changsheng”)	A related company with 92% equity interest owned by Mr. Cui Qi

### (b) Transactions

Save as disclosed elsewhere in the condensed consolidated interim financial information, during the six months ended 30 June 2018 and 2017, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Continuing transactions		
<b>Paid to a related party:</b>		
Rental expenses to Shenzhen Changsheng ( <i>Note</i> )	<u><b>4,803</b></u>	<u><b>945</b></u>

*Note:* Rental expenses in relation to leasing of vessels are charged at terms pursuant to the agreement as entered into between the Group and the respective related party.

(c) **Transactions with key management personnel**

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Salaries, bonus, other allowances and benefits in kind	<b>3,439</b>	3,082
Pension costs — defined contribution plans	<b>53</b>	54
	<b><u>3,492</u></b>	<b><u>3,136</u></b>

(d) **Balances**

	<b>Unaudited</b>	Audited	
	<b>30 June</b>	31 December	
	<b>2018</b>	2017	Nature
	<b>HK\$'000</b>	<b>HK\$'000</b>	
Amount due to a related party			
— Shenzhen Changsheng	<b><u>3,585</u></b>	<b><u>—</u></b>	<b><u>Trade</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Prosper Construction Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2018 (the “**Period**”), together with the comparative figures for the corresponding period in 2017 (the “**Previous Period**”). This information should be read in conjunction with the annual report of the Company for the year ended 31 December 2017.

### Business Review

A breakdown of the Group’s revenue by geographic location and major projects for the Period is set out in the table below.

	Revenue recognised for the Period <i>(HK\$ millions)</i>	Contribution to total revenue	Current status
<b>Macao</b>			
FPC contract for electricity generation facility	42.4	16.5%	Ongoing and expecting completion in year 2019
<b>Indonesia</b>			
Others	0.4	0.1%	
<b>Pakistan</b>			
Hiring of vessels and engineering equipment	158.4	61.5%	Ongoing and expecting completion in year 2018
<b>Hong Kong</b>			
Kai Tak underground structure and excavation	19.9	7.7%	Ongoing and expecting completion in third quarter of 2019
Pier construction	19.5	7.6%	Ongoing and expecting completion in fourth quarter of 2018
Others	17.1	6.6%	
	<u>56.5</u>	<u>21.9%</u>	
Total	<u>257.7</u>	<u>100.0%</u>	

## Outlook and Prospects

The status of the Group's key projects on hand as at 30 June 2018 is as below.

	Location	Estimated remaining contract value (HK\$ millions)	Expected time of completion
Project(s) already commenced as at 30 June 2018			
EPC contract for an electricity generation facility	Macao	446.9	Q4/2019
Leasing of vessels and engineering equipment	Pakistan	73.0	Q4/2018
Marine disposal of excavated materials	Hong Kong	18.7	Q3/2019
Pier construction	Hong Kong	16.2	Q4/2018
Vessel hiring for transportation	Southeast Asia	12.0	Q4/2018
Project(s) commencing or newly awarded after 30 June 2018			
Vessel hiring for transportation	Southeast Asia	50.0	Q3/2019

Aside from the above-listed projects on hand, the Group is in the final stage of negotiation for a potential land reclamation project in Macao which is expected to commence in the latter part of year 2018 with an estimated contract sum of over HK\$500.0 million.

## Financial Review

### *Revenue*

The Group recorded revenue of HK\$257.7 million for the Period, representing a decline of approximately 29.5% from the Previous Period. A breakdown of the Group's revenue from major projects and by geographic location is set out in the section headed "Business Review" above and in note 5 of the condensed consolidated interim financial information. The Group's revenue from marine construction works for the Period decreased by HK\$267.8 million from the Previous Period, which is mainly attributable to (i) majority of the Group's projects in Indonesia and the land reclamation project in Macao had been completed prior to the Period; (ii) the progress of the EPC project for an electricity generation facility in Macao had been slowed down as a result of certain change in design. Nonetheless, revenue from the leasing of vessels increased by HK\$159.7 million to approximately HK\$165.7 million for the Period, which is mainly attributable to the leasing of vessels and associated equipment to the contractor of a marine engineering project in Pakistan.

### *Cost of sales and gross profit*

Cost of sales for the Period decreased by 32.7% to HK\$213.3 million, which is a combination of the effects of (i) the substantial reduction in marine engineering works undertaken during the Period; and (ii) increase in costs incurred in relation to the leasing of vessels and equipment project in Pakistan.

The percentage decrease in cost of sales is higher than the decrease in revenue as the leasing of vessels and equipment project required less raw materials and yields higher profit margin than marine engineering projects in general.

Overall, the gross profit margin of the Group improved to 17.2% for the Period, as compared to that of 13.4% for the Previous Period, while the gross profit for the Period decreased by HK\$4.5 million or approximately 9.2%.

#### ***Other administrative expenses***

Other administrative expenses for the Period was approximately HK\$12.1 million and comparable to the Previous Period.

#### ***Income tax expense***

The decrease in income tax expense for the Period was due the majority of the Group's profit for the Period was derived from leasing income sourced from overseas locations where either the applicable tax jurisdiction provided for favourable tax treatment or the Group's customers as lessee had agreed to take up the tax liability for the lessor.

#### ***Profit for the Period***

The Group's recorded a profit for the Period of HK\$30.7 million, which is comparable to that of HK\$30.5 million for the Previous Period, as the effect of the decrease in gross profit for the Period was counteracted by the reduction in income tax for the Period for reasons as stated above.

#### ***Plant and equipment***

The Group disposed 2 units of vessels and acquired 4 units of machinery and equipment for a total of HK\$0.3 million during the Period to facilitate its new project in Macao and other potential projects. As at 30 June 2018, the Group owned a total of 45 units of construction vessels and 78 units of machinery and equipment.

#### ***Trade and retention receivables***

The Group's trade and retention receivables increased by approximately HK\$7.8 million to HK\$317.4 million as at 30 June 2018, which mainly comprised of receivables for works on projects already completed and pending settlement of final account. The increase in trade and retention receivables balances during the Period was attributable to rise in leasing revenue to be settled by customer of the Pakistan project. There is presently no indication of possible default on any of the Group's receivable balances.

### *Amounts due from/to contract customers*

Amounts due from contract customers mainly represent value of contract works performed for marine engineering projects which had not been billed as at end of the reporting period, out of which approximately HK\$57.4 million was related to three projects in Hong Kong already completed as at 30 June 2018 (31 December 2017: HK\$57.4 million) pending the finalisation of project account with the respective customers. 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 for the aforesaid three completed projects and would instigate dispute resolution procedures if and when determined fit.

Amounts due to contract customers represent consideration received from customers in excess of revenue recognisable by the Group according to the progress achieved on the contract works. The increase in the amounts due to contract customers for the Period was attributable to the combined effect of (i) approximately HK\$10.0 million adjustment on initial adoption of certain new Hong Kong Financial Reporting Standards; and (ii) amounts received from customer being in excess of recognisable revenue for the Period.

### *Liquidity, financial resources and capital structure*

The Group maintained a healthy liquidity position with net current asset balance and net cash position of approximately HK\$293.6 million (31 December 2017: HK\$286.8 million) and HK\$65.5 million (31 December 2017: HK\$59.9 million) respectively as at 30 June 2018. The Group's gearing ratio (calculating by dividing total debts by total equity) as at 30 June 2018 was 32.6% (31 December 2017: 34.3%). The maturity and interest rate profile of the Group's borrowings are set out in note 11 to the condensed consolidated interim financial information.

### *Foreign exchange*

Operations of the Group are mainly conducted in Hong Kong dollars ("HK\$"), United States dollars ("US\$"), Macao Patacas ("MOP") (together, the "Major Currencies"), 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 our suppliers and operating expenses where possible. In the event that settlement from the Group's customer are received in 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.



## **Employees and Remuneration Policies**

The Group had 99 staff as at 30 June 2018 (31 December 2017: 114) and 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 Period was approximately HK\$35.0 million (Previous Period: HK\$20.6 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 by salary revision, bonus and promotion as suited. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

## **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 Period, the Group invested approximately HK\$9.6 million in the acquisition of plant and equipment, which comprised approximately HK\$9.3 million in vessels, approximately HK\$0.3 million in machinery and equipment.

## **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 Period.

## **Significant Investments Held**

The Group had not held any significant investments during the Period.

## **Charges on Assets**

As at 30 June 2018, plant and equipment with carrying value of (i) approximately HK\$18,515,000 (31 December 2017: HK\$16,117,000) were pledged to secure for the Group's bank borrowings and (ii) approximately HK\$22,556,000 (31 December 2017: HK\$22,126,000) were pledged as security for provision of performance bond and prepayment surety bond to the project owner in the Group's project in Macao.

## **Contingent Liabilities**

As at 30 June 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 of HK\$16,990,000 (31 December 2017: HK\$20,836,000). As at 30 June 2018, the Group has not given any guarantees (31 December 2017: Nil) on performance bonds in relation to construction contracts of the Group in the ordinary course of business. Save for the guarantee given on these performance bonds, the Group has no material contingent liabilities.

## **Share Option Scheme**

The Company adopted a share option scheme on 22 June 2016 to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. No options have been granted, exercised or cancelled since then and up to 30 June 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 Period.

## **Corporate governance practices**

The Company has adopted the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (“**CG Code**”) has complied with the code provisions throughout the Period, except in relation to CG Code provision A.2.1 where the roles of the Group's chairman and chief executive officer (“**CEO**”) are both performed by Mr. Cui Qi. CG Code provision A.2.1 requires that the roles of chairman and CEO should be separate and should not be performed by the same individual. Please refer to the annual report of the Company for the year 2017 for nature of the non-compliance with CG Code provision A.2.1.

## **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 during the Period and up to the date of this announcement.

## **Dividend**

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend the payment of a dividend for the Period.

## **Events After End of the Period**

The Company's executive director and controlling shareholder Mr. Cui Qi, through his associated corporation Sky Hero Global Limited, had on 18 July 2018 entered into an agreement to dispose of 402,000,000 shares ("**Share Sale**") in the Company to Qingdao West Coast Holdings (Internation) Limited, an independent third party which is indirectly wholly-owned by the State-owned Asset Supervision and Administration Commission of Qingdao of the PRC. The Share Sale was completed on 16 August 2018 and Qingdao West Coast Holdings (Internation) Limited had since become the controlling shareholder of the Company. Mr. Cui Qi remains as an executive Director and chairman of the Company after completion of the Share Sale.

## **Audit Committee**

The audit committee, comprising Mr. Cheung Chi Man Dennis (chairman of the audit committee), Ms. Leung Sau Fan Sylvia and Mr. Leung Yee Tak, each an independent non-executive Director, has reviewed this interim results announcement and the accounting standards and policies adopted by the Group for preparation of the unaudited condensed consolidated financial information of the Group for the Period.

By order of the Board  
**Prosper Construction Holdings Limited**  
**CUI Qi**  
*Chairman and Executive Director*

Hong Kong, 23 August 2018

*As at the date of this announcement, the executive Directors are Mr. CUI Qi (chairman of the Board), Mr. YU Ming, Ms. KUI Ching Wah and Mr. TAO Yang and the independent non-executive Directors are Mr. CHEUNG Chi Man Dennis, Ms. LEUNG Sau Fan Sylvia and Mr. LEUNG Yee Tak.*