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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Prosper Construction Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**瑞港建設控股有限公司**  
**PROSPER CONSTRUCTION HOLDINGS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 6816)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE ENTERING INTO OF  
THE 2024 CONSTRUCTION SERVICES FRAMEWORK AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Advisor



Independent financial adviser to  
the Independent Board Committee and Independent Shareholders



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

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Capitalised terms used herein shall have the same meanings as those defined in the section headed “Definition” of this circular.

A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from Red Sun Capital Limited, the independent financial adviser of the Company, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 38 of this circular.

A notice convening the EGM to be held at Room 2403-8, Shui On Centre, 6 to 8 Harbour Road, Wan Chai, Hong Kong on Friday, 29 December at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday. Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the EGM or any adjournment thereof if they so wish. In the event you attend the EGM after having lodged the form of proxy, it will be deemed to have been revoked.

7 December 2023

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## DEFINITIONS

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*In this circular (other than in the notice of the EGM and the accompanying form of proxy), unless the context otherwise requires, the following expressions have the following meanings:*

“2020 Construction Services Framework Agreement”	the framework agreement dated 28 April 2020 entered into between West Coast Development HK and Qingdao Haifa Group Co., pursuant to which the Group has agreed to provide construction services for construction projects to the Haifa Group, which may involve bidding for the Haifa Group’s construction projects in the PRC, in accordance with the bidding procedures established by the Haifa Group for the period from 29 June 2020 to 31 December 2022
“2024 Construction Services Framework Agreement”	the framework agreement dated 16 November 2023 entered into between West Coast Development HK and Qingdao Haifa Group Co., pursuant to which the Group has agreed to provide construction services for construction projects to the Haifa Group, which may involve bidding for the Haifa Group’s construction projects in the PRC, in accordance with the tendering procedures of the Haifa Group and the bidding procedures established by the Group for the three years ending 31 December 2026
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Prosper Construction Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6816)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dongjie Construction”	Qingdao Dongjie Construction Group Co., Ltd.* (青島東捷建設集團有限公司), formerly known as Qingdao Dongjie Construction Engineering Co., Ltd.* (青島東捷建設工程有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“EGM”	an extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the 2024 Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Haifa Group”	Qingdao Haifa Group Co. and its subsidiaries and/or affiliated companies, for the purpose of this circular only, shall exclude the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Honghai Curtain Wall”	Qingdao Honghai Curtain Wall Co., Ltd.* (青島宏海幕牆有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Independent Board Committee”	a committee of the Board (comprising all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the 2024 Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2024 Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps
“Independent Shareholders”	Shareholders who are not interested in the 2024 Construction Services Framework Agreement and are not required under the Listing Rules to abstain from voting at the EGM to approve the same, the transactions contemplated thereunder and the Proposed Annual Caps
“Latest Practicable Date”	1 December 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Original Annual Caps”	the annual caps for the transactions contemplated under the 2020 Construction Services Framework Agreement and as amended by its supplement agreement for the period from 29 June 2020 to 31 December 2020 and each of the three years ending 31 December 2023, respectively

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## DEFINITIONS

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“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this circular only, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Caps”	the proposed annual caps for the transactions contemplated under the 2024 Construction Services Framework Agreement, being RMB1,200 million, RMB1,500 million and RMB1,800 million for each of the year ending 31 December 2024, 2025 and 2026, respectively
“Qingdao Haifa Group Co.”	Qingdao Haifa State-owned Capital Investment and Operation Group Co. Ltd.* (青島海發國有資本投資運營集團有限公司), formerly known as Qingdao West Coast Development (Group) Limited* (青島西海岸發展(集團)有限公司), the ultimate holding company and controlling shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	Value Added Tax
“West Coast Development HK”	West Coast Development (Hong Kong) Limited (西海岸發展(香港)有限公司), a company established in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, which indirectly holds 80.0% equity interests in Dongjie Construction
“%”	per cent.

\* For identification purpose only. The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names prevail.

*For the purpose of this circular, unless otherwise indicated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.08. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK\$ has been or could have been or may be converted at such or another rate or at all.*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. JIANG Hongchang (*chairman of the Board*)  
Mr. LIU Yutao  
Mr. YANG Honghai  
Mr. NI Chuchen  
Mr. DU Jianzhi

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Independent non-executive Directors:*

Mr. CHEUNG Chi Man Dennis  
Mr. WANG Yaping  
Mr. CHENG Xuezhan

*Head office and principal place of  
business in Hong Kong:*

Room 2403-8  
Shui On Centre  
6 to 8 Harbour Road  
Wan Chai, Hong Kong

7 December 2023

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE ENTERING INTO OF  
THE 2024 CONSTRUCTION SERVICES FRAMEWORK AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

### INTRODUCTION

Reference is made to the announcement of the Company dated 16 November 2023 whereby the Board announced that the Company entered into the 2024 Construction Services Framework Agreement, which set out a framework of the terms governing the construction projects between the Group and the Haifa Group.

The purpose of this circular is to provide you with, among other things, (a) further information on the 2024 Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps; (b) a letter from the Independent Board Committee to the Independent Shareholders; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (d) other information as required under the Listing Rules; and (e) the notice of EGM.

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## LETTER FROM THE BOARD

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### THE 2024 CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

On 16 November 2023, West Coast Development HK and Qingdao Haifa Group Co. entered into the 2024 Construction Services Framework Agreement, pursuant to which the Group has agreed to provide construction services to the Haifa Group for construction projects. The Group may be required to bid for the Haifa Group's construction projects in the PRC in accordance with the bidding procedures established by the Haifa Group's for the three years ending 31 December 2026. If the bids submitted by the Group are successful in accordance with the bidding procedures established by the Haifa Group, the Group will enter into individual construction contracts (the "**Individual Contracts**") with the Haifa Group for the provision of construction services by the Group as the contractor. These transactions constitute continuing connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules.

The principal terms of the 2024 Construction Services Framework Agreement are set out below:

Date	:	16 November 2023
Parties	:	(a) Qingdao Haifa Group Co.; and (b) West Coast Development HK
Subject matter	:	The Group will provide construction services to the Haifa Group and may therefore participate in bidding for construction projects of the Haifa Group in the PRC from time to time. If the bids submitted by the Group are successful in accordance with the bidding procedures established by the Haifa Group, the Group will enter into Individual Contracts with the Haifa Group for the provision of construction services by the Group as the contractor subject to the terms and conditions of the 2024 Construction Services Framework Agreement at fair and reasonable market prices.
Term	:	From 1 January 2024 to 31 December 2026 (both dates inclusive)
Pricing policy	:	The contract sum of each Individual Contract is determined through an open tender process to ensure that the price and terms of the Group's bid are on normal commercial terms and no more favourable than those offered to independent third parties, or the market prices or benchmarks for transactions of a similar nature.

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## LETTER FROM THE BOARD

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In determining the bid price for each Individual Contract, the Group will take into account factors including, but not limited to, (i) the estimated cost required to meet the quality standards and construction requirements of each individual construction project. In order to make a cost estimate for the individual construction project, the Group will solicit quotations from at least three different independent third-party suppliers, subcontractors, and/or service providers (as appropriate) for reference; and (ii) a reasonable profit margin to be determined after taking into account various relevant factors such as prevailing market conditions, competition landscape, project duration, and any associated risk factors.

In addition, the Group will also consider the unit price for each type of construction work with reference to the standards and guidelines on the relevant rates and charges published by the authorities such as the Qingdao Municipal Bureau of Housing and Urban-Rural Development\* (青島市住房和城鄉建設局) and the cost of materials published by industry associations such as the Qingdao Engineering Construction Standard & Cost Association\* (青島市工程建設標準造價協會).

Payment terms : The contract sum payable by the Haifa Group will be settled in accordance with the payment terms as set out in each of the Individual Contracts in line with normal market practice and payment terms for similar projects.

To the best of the knowledge and belief of the Directors, and in accordance with normal market practice, the contract sum will generally be invoiced and settled in stages based on the actual progress of the project to be further delineated in the Individual Contracts.

Condition precedent : The passing of the relevant resolutions by the Independent Shareholders at the EGM to approve the 2024 Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

The parties acknowledge that the purpose of entering into the 2024 Construction Services Framework Agreement is solely to establish a mutual understanding of certain principles governing the provision and receipt of construction services and to express their willingness to cooperate. It is explicitly stated that the execution of the 2024 Construction Services Framework Agreement does not create any binding obligation on the part of the Haifa Group to engage the Group as a service provider, nor does it impose any mandatory obligation on the Group to provide construction services to the Haifa Group.



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## LETTER FROM THE BOARD

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### ORIGINAL ANNUAL CAPS AND HISTORICAL TRANSACTION AMOUNTS

Set out below are the Original Annual Caps and the historical transaction amounts for the transactions contemplated under the 2020 Construction Services Framework Agreement and its supplemental agreement for the relevant periods:

	<u>29 June 2020<sup>(1)</sup> to 31 December 2020</u>	<u>1 January 2021 to 31 December 2021</u>	<u>1 January 2022 to 31 December 2022</u>	<u>1 January 2023 to 31 December 2023</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Original Annual Caps	900,000,000	1,846,000,000 <sup>(2)</sup>	3,164,000,000 <sup>(2)</sup>	4,746,000,000 <sup>(2)</sup>
	<u>29 June 2020<sup>(1)</sup> to 31 December 2020</u>	<u>1 January 2021 to 31 December 2021</u>	<u>1 January 2022 to 31 December 2022</u>	<u>1 January 2023 to 30 June 2023</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Historical transaction amounts <i>(rounded to the nearest thousands)</i>	633,725,000	1,825,178,000	1,527,530,000	407,105,000
Utilisation rates (%)	70.4%	98.9%	48.3%	8.6% <i>(17.2%<sup>(3)</sup>, based on the annualised amount)</i>

*Note 1: This is the date on which approval of the 2020 Construction Services Framework Agreement, the transactions contemplated thereunder and the Original Annual Caps is obtained from the Independent Shareholders.*

*Note 2: The amounts represent the Original Annual Caps as revised for the transactions contemplated by the supplemental agreement to the 2020 Construction Services Framework Agreement in 2021.*

*Note 3: The utilisation rate is calculated based on the annualised transaction amount projected from the actual transaction amount for the six months ended 30 June 2023, and should not be considered as the actual utilisation rate for the year ending 31 December 2023.*

The Group's construction contracting business is closely linked to the property market conditions in the PRC. Property market conditions drive the demand for construction work, which directly affects the availability and size of construction contracts that the Group can bid for. The transaction amount and utilization rate of the Group's construction contracting business for the year ended 31 December 2022 and the six months ended 30 June 2023 were affected by temporary fluctuations in demand in the PRC property market in recent years. These fluctuations were in response to macroeconomic factors and government policies aimed at promoting the sustainable and healthy long-term development of the property market. In addition, the competitiveness of the Group's bid relative to other competing bidders and the progress of the construction projects also affected the transaction amount and utilization rate of the Group's construction contracting business during the said period.

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## LETTER FROM THE BOARD

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### PROPOSED ANNUAL CAPS

Set out below are Proposed Annual Caps for the transactions contemplated under the 2024 Construction Services Framework Agreement for the relevant periods:

	For the year ending 31 December		
	2024	2025	2026
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed Annual Caps	1,200,000,000	1,500,000,000	1,800,000,000

The Proposed Annual Caps were determined with reference to the estimated revenue to be derived from Individual Contracts that have been entered into, and that may be entered into between the Group and the Haifa Group during the period from 1 January 2024 to 31 December 2026. These contracts include:

- (i) the Group has entered into 36 Individual Contracts with a total contract sum (exclusive of VAT) of approximately RMB5,332.36 million (equivalent to approximately HK\$5,758.95 million) with the Haifa Group. It is expected that these contracts will generate revenue of approximately RMB1,165.57 million, RMB883.23 million and RMB293.58 million for the year ending 31 December 2024, 2025 and 2026, respectively;
- (ii) the Group plans to submit four bids and one quotation to the Haifa Group by the end of 2023, with an estimated total contract sum (exclusive of VAT) of approximately RMB720.17 million and RMB64.22 million, respectively. It is expected that if the Group is awarded the relevant contracts, it will generate revenue of approximately RMB33.94 million, RMB429.35 million and RMB321.10 million (equivalent to approximately HK\$36.66 million, HK\$463.70 million and HK\$346.79 million) for the year ending 31 December 2024, 2025 and 2026, respectively; and
- (iii) there is an expected increase in the number and total contract sum of new construction projects from the Haifa Group. These projects have potential to be recognised as revenue by the Group for the year ending 31 December 2025 and 2026. The expected increase in the total contract sum of construction projects is determined by two factors. Firstly, based on the status of projects on hand, the Group expects a growth of not less than 15% in the transaction amount with the Haifa Group in the Group's construction contracting business for the year ending 31 December 2024, indicating anticipated business expansion. Secondly, the Proposed Annual Cap for the two years ending 31 December 2026 further incorporates a buffer of 5% to 10% to accommodate unforeseen circumstances or opportunities.

Such projection is solely for determining the Proposed Annual Caps and shall not be regarded as any indication directly or indirectly as to the respective revenue or profitability of the Group.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE 2024 CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

The Group's successful expansion into the construction industry in the PRC was realised with the acquisition of 80.0% equity interest in Dongjie Construction in 2020. This strategic move exemplifies the Group's commitment to diversify its business and capitalise on the lucrative construction market in the PRC. With Dongjie Construction having the requisite qualifications and licenses to undertake construction projects in the PRC, the Group has laid a strong foundation for its foray into this sector. Building on this momentum, the Group further strengthened its position in the construction market by acquiring 34.0% equity interest in and controlling the board of directors of Honghai Curtain Wall. This acquisition not only consolidated the Group's influence, but also synergistically enhanced its service offering and competitive edge in the general construction contracting business. By combining the strengths and expertise of both Dongjie Construction and Honghai Curtain Wall, the Group has significantly expanded its capabilities and positioned itself as a formidable player in the industry.

Recognizing the strategic value of cooperation, the Group has established a cooperation relationship with the Haifa Group which is primarily engaged in infrastructure construction, land development, real estate development, and a wide range of industrial investment and operation, including culture, tourism, and financial services. By entering into the 2024 Construction Services Framework Agreement and subsequently acting as a contractor for successful bids, the Group aims to consolidate and strengthen its construction business in the PRC. By collaborating with the Haifa Group, the Group is expanding its business portfolio, enhancing its market competitiveness and overall presence in the dynamic construction landscape of the PRC. With a forward-looking perspective and meticulous execution, the Board believes that these actions will unlock significant opportunities for sustainable growth. By leveraging its combined strengths, industry expertise, and collaboration, the Group is poised to navigate the intricate dynamics of the construction industry in the PRC, thereby maximizing value creation for the Shareholders and reinforcing its position as a leading player in the market.

Mr. Jiang Hongchang holds the positions of a member of the party committee, deputy general manager, and chief engineer at Qingdao Haifa Group Co. Mr. Liu Yutao serves as the vice president of Qingdao Haifa Asset Management Co., Ltd., a subsidiary of Qingdao Haifa Group Co. Lastly, Mr. Yang Honghai is the director of the strategic development center at Qingdao Haifa Group Co. and also holds the position of executive deputy general manager at Nanjing Sample Technology Group Co. Ltd., another subsidiary of Qingdao Haifa Group Co. All of the aforesaid three executive Directors hold position within the Haifa Group, therefore they are considered related to the Haifa Group and have abstained from voting on the relevant board resolutions due to conflict of interest. The Board, other than the abstaining Directors and the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser), are of the view that the terms of the 2024 Construction Services Framework Agreement were concluded after arm's length negotiations and reflect normal commercial terms, and that the terms of the 2024 Construction Services Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL

The Group has adopted the following internal control procedures to govern the continuing connected transactions of the Group under the 2024 Construction Services Framework Agreement and the Proposed Annual Caps:

- (i) the finance department of the Company will closely monitor and record the actual transaction amounts of the continuing connected transactions under the 2024 Construction Services Framework Agreement to ensure that the Proposed Annual Caps are not exceeded;
- (ii) the tender department and contract department of the Company will (a) compare the prices and terms with those of other construction projects of similar nature and scale entered into by the Group with independent third parties and/or bids and/or quotations submitted by the Group to independent third parties, or (b) compare the prices and terms with the market prices or benchmarks for transactions of a similar nature, in order to ensure that the prices charged by the Group to the Haifa Group are fair and reasonable and not less favourable to the Group than those offered to independent third parties;
- (iii) the contract department and project department of the Company will submit the construction plans, price comparison report, and status report to the executive Directors prior to entering into Individual Contracts;
- (iv) the Company's auditor will review annually the continuing connected transactions (which are subject to the annual review and disclosure requirements of the Listing Rules) and confirm that (a) the transactions under the 2024 Construction Services Framework Agreement have been approved by the Board; (b) the transactions have been entered into in accordance with the 2024 Construction Services Framework Agreement; and (c) the Proposed Annual Caps have not been exceeded; and
- (v) the independent non-executive Directors will carry out an annual review (which are subject to the annual review and disclosure requirements of the Listing Rules) to confirm that the transactions under the 2024 Construction Services Framework Agreement are conducted (a) in the ordinary and usual course of the Group's business; (b) on normal commercial terms or better; and (c) in accordance with the 2024 Construction Services Framework Agreement which governs them, on terms which are fair and reasonable and in the interests of the Shareholders as a whole.

The Board believes that the above internal control procedures are adequate to ensure that the transactions are carried out in accordance with the 2024 Construction Services Framework Agreement and that the prices charged by the Group are not less favourable than those charged in transactions with independent third parties.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As at the date of this circular, Qingdao Haifa Group Co. is the ultimate holding company and a controlling shareholder of the Company, indirectly holding 62.25% of the issued share capital of the Company. The Haifa Group is therefore a connected person of the Company and the transactions contemplated under the 2024 Construction Services Framework Agreement constitute continuing connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules. Mr. Jiang Hongchang holds the positions of a member of the party committee, deputy general manager, and chief engineer at Qingdao Haifa Group Co. Mr. Liu Yutao serves as the vice president of Qingdao Haifa Asset Management Co., Ltd., a subsidiary of Qingdao Haifa Group Co. Lastly, Mr. Yang Honghai is the director of the strategic development center at Haifa Group and also holds the position of executive deputy general manager at Nanjing Sample Technology Group Co. Ltd., another subsidiary of Qingdao Haifa Group Co. All of these executive Directors hold position within the Haifa Group, therefore they are considered related to the Haifa Group and have abstained from voting on the relevant board resolutions of the Company. Qingdao West Coast Holdings (Internation) Limited, the beneficial owner of 62.25% of the issued share capital of the Company and an indirect wholly-owned subsidiary of Qingdao Haifa Group Co., will be required to abstain from voting on the relevant resolutions of the Shareholders at the EGM.

Since one or more of the applicable percentage ratios on an annual basis in respect of the Proposed Annual Caps exceed 5% and each of the Proposed Annual Caps is more than HK\$10,000,000, the transactions contemplated under the 2024 Construction Services Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### INFORMATION ON THE COMPANIES

#### The Company

The Company is an investment holding company incorporated with limited liability in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange. The Company, through its subsidiaries, provides marine construction services, auxiliary marine related services and general construction contracting services.

#### West Coast Development HK

West Coast Development HK is an investment holding company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. It indirectly holds 80.0% equity interests in Dongjie Construction, which is principally engaged in the provision of general construction contracting services and is involved in various construction projects in the PRC including, but not limited to, general contracting of building construction, building foundation, garden greening projects, garden landscaping projects, cultural relics protection projects, property development projects, building materials wholesale, building demolition, pipeline engineering (excluding pressure pipelines), road construction, water conservancy and hydropower project construction, power engineering construction, municipal utilities engineering construction, mechanical and electrical engineering construction, lifting equipment installation projects, fire control facilities engineering, waterproofing and anti-corrosion insulation works, steel structure engineering, and building mechanical and electrical installation.

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## LETTER FROM THE BOARD

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### **Qingdao Haifa Group Co.**

Qingdao Haifa Group Co. is the ultimate holding company of the Company and a state-owned enterprise wholly-owned by the Qingdao Municipal People's Government State-owned Assets Supervision and Administration Commission (青島市人民政府國有資產監督管理委員會). It through its subsidiaries principally engages in infrastructure construction, land development, property development and other industrial investment and operation (including culture, tourism and financial services).

### **GENERAL**

The EGM will be convened by the Company for the Independent Shareholders to consider, and if thought fit, approve the 2024 Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for Qingdao West Coast Holdings (Internation) Limited and its associates, no other Shareholder has a material interest in the transactions contemplated under the 2024 Construction Services Framework Agreement such that he or she or it shall abstain from voting at the EGM on the resolutions to approve the 2024 Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to (i) whether the terms of the 2024 Construction Services Framework Agreement and the Proposed Annual Caps are fair and reasonable; (ii) whether the 2024 Construction Services Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of the Group's business; (iii) whether the transactions contemplated under the 2024 Construction Services Framework Agreement are in the interests of the Company and the Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders.

Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2024 Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

The Independent Board Committee and the Directors, having taken into account the advice of the Independent Financial Adviser, considered that the 2024 Construction Services Framework Agreement was entered into on normal commercial terms including, but not limited to, the Proposed Annual Caps and the transactions contemplated thereunder are fair and reasonable and in the interests of the Group so far as the Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM for approving the 2024 Construction Services Framework Agreement including, but not limited to, the Proposed Annual Caps and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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The text of the letter from the Independent Board Committee is set out on page 14 of this circular and the full text of the letter from the Independent Financial Adviser containing its advice is set out on pages 15 to 38 of this circular.

### RECOMMENDATION

The Board having taken into account the advice of the Independent Financial Adviser and the Independent Board Committee considers that the terms of the 2024 Construction Services Framework Agreement including, but not limited to, the Proposed Annual Caps and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 14 of this circular which contains its views in relation to the 2024 Construction Services Framework Agreement including, but not limited to, the Proposed Annual Caps and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2024 Construction Services Framework Agreement including, but not limited to, the Proposed Annual Caps and the transactions contemplated thereunder and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from the Independent Financial Adviser is set out on pages 15 to 38 of this circular.

Yours sincerely,  
By order of the Board  
**Prosper Construction Holdings Limited**  
**Ni Chuchen**  
*Executive Director*



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

7 December 2023

*To the Independent Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE ENTERING INTO OF  
THE 2024 CONSTRUCTION SERVICES FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 7 December 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you as to whether the terms of the 2024 Construction Services Framework Agreement (including but not limited to the Proposed Annual Caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Red Sun Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 15 to 38 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 13 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms of the 2024 Construction Services Framework Agreement including, but not limited to, the Revised Annual Caps and the transactions contemplated thereunder, the principal reasons and factors considered by, and the advice of Red Sun Capital Limited, we are of the opinion that the 2024 Construction Services Framework Agreement including, but not limited to, the Proposed Annual Caps and the transactions contemplated thereunder are on normal commercial terms and the terms of the 2024 Construction Services Framework Agreement including, but not limited to, the Proposed Annual Caps and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2024 Construction Services Framework Agreement including, but not limited to, the Proposed Annual Caps and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee of  
**Prosper Construction Holdings Limited**

**Cheung Chi Man Dennis**  
*Independent  
non-executive Director*

**Wang Yaping**  
*Independent  
non-executive Director*

**Cheng Xuezhao**  
*Independent  
non-executive Director*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders in relation to the 2024 Construction Services Framework Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder for inclusion in this circular.*



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

Room 310, 3/F., China Insurance Group Building,  
141 Des Voeux Road Central, Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

7 December 2023

*To: The Independent Board Committee  
and the Independent Shareholders*

Dear Sirs,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING INTO OF THE 2024 CONSTRUCTION SERVICES FRAMEWORK AGREEMENT**

#### **I. INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the 2024 Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps which constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules (the “**Continuing Connected Transactions**”), details of which are disclosed in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 7 December 2023, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

#### **The 2024 Construction Services Framework Agreement**

On 16 November 2023, West Coast Development HK and Qingdao Haifa Group Co. entered into the 2024 Construction Services Framework Agreement, pursuant to which the Group has agreed to provide construction services to the Haifa Group for construction projects, which may involve bidding for the Haifa Group’s construction projects in the PRC in accordance with the bidding procedures established by the Haifa Group for the three years ended 31 December 2026.

It is proposed that the Proposed Annual Caps under the 2024 Construction Services Framework Agreement shall be capped at RMB1,200 million (equivalent to approximately HK\$1,296 million), RMB1,500 million (equivalent to approximately HK\$1,620 million) and RMB1,800 million (equivalent to approximately HK\$1,944 million) for the three years ending 31 December 2024, 2025 and 2026, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### II. IMPLICATIONS ON THE LISTING RULES

As at the Latest Practicable Date, Qingdao Haifa Group Co. is the ultimate holding company and a controlling shareholder of the Company, which indirectly holds 62.25% of the issued share capital of the Company. The Haifa Group is therefore a connected person of the Company and the transactions contemplated under the 2024 Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As executive Directors, namely Mr. Jiang Hongchang, Mr. Liu Yutao and Mr. Yang Honghai, hold position(s) within the Haifa Group, details of which are set out in the Letter from the Board, therefore they are considered related to the Haifa Group and have abstained from voting on the relevant board resolutions of the Company due to conflict of interest. Qingdao West Coast Holdings (Internation) Limited, a controlling shareholder of the Company directly holding 62.25% of the issued share capital of the Company and an indirect wholly-owned subsidiary of Qingdao Haifa Group Co., will be required to abstain from voting on the relevant resolutions of the Shareholders at the EGM.

### III. THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. JIANG Hongchang (chairman of the Board), Mr. LIU Yutao, Mr. YANG Honghai, Mr. NI Chuchen and Mr. DU Jianzhi as executive Directors; and Mr. Cheung Chi Man Dennis, Mr. Wang Yaping and Mr. Cheng Xuezhan as independent non-executive Directors.

The EGM will be convened by the Company for the Independent Shareholders to consider, and if thought fit, approve the Continuing Connected Transactions together with the Proposed Annual Caps. To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for Qingdao West Coast Holdings (Internation) Limited and its associates, no other Shareholder has a material interest in the transactions contemplated under the 2024 Construction Services Framework Agreement such that he or she or it shall abstain from voting at the EGM on the resolutions to approve the 2024 Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

The Independent Board Committee comprising all the aforementioned independent non-executive Directors has been formed to advise the Independent Shareholders as to (i) whether the terms of the Continuing Connected Transactions, including the Proposed Annual Caps, are fair and reasonable, on normal commercial terms and in the ordinary and usual course of the business of the Group, in the interests of the Company and the Shareholders as a whole; and (ii) the voting action that should be taken by the Independent Shareholders.

We, Red Sun, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Continuing Connected Transactions, for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### IV. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, the Haifa Group and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions. In the previous two years, we have not acted as an independent financial adviser to the Company for any transaction. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### V. BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group, the Haifa Group and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date.

We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group and the Haifa Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry.

We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Company, the Haifa Group and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **VI. BACKGROUND INFORMATION OF THE CONTINUING CONNECTED TRANSACTIONS**

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

#### **1. Background information on the Group**

##### *Principal business activities of the Group*

The Company, through its subsidiaries, provides marine construction services, auxiliary marine related services and general construction contracting services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Summary of the Group's operating results*

A summary of (i) the audited consolidated statement of comprehensive income as extracted from the annual report of the Group for the year ended 31 December 2022 (the “**2022 Annual Report**”); and (ii) the unaudited consolidated statement of comprehensive income as extracted from the interim report of the Group for the six months ended 30 June 2023 (the “**2023 Interim Report**”), has been set out below:

	For the six months ended		For the year ended	
	30 June		31 December	
	2023	2022	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Revenue</b>				
Rendering of services				
– Marine construction works	73,728	282,602	425,353	403,329
– Provision of auxiliary marine related services	33,677	13,445	34,190	105,772
– Provision of general construction contracting services	766,917	1,004,202	2,419,668	2,676,738
<b>Total revenue</b>	874,322	1,300,249	2,879,211	3,185,839
<b>Gross profit</b>	48,202	94,846	220,619	205,090
<b>(Loss)/Profit for the period/year attributable to equity holders of the Company</b>	(49,349)	3,845	(12,186)	2,581

*Analysis on the financial performance for the year ended 31 December 2021 compared to the year ended 31 December 2022*

We noted from the 2022 Annual Report that the Group recorded total revenue of approximately HK\$2,879.2 million for the year ended 31 December 2022, representing a decrease of approximately 9.6% or HK\$306.6 million as compared to the total revenue of approximately HK\$3,185.8 million for the year ended 31 December 2021. Such decrease in revenue was mainly due to the net effect of (i) a decrease in revenue from the provision of general construction contracting services (the “**General Construction Business**”) by approximately HK\$257.0 million, which was mainly from projects in the PRC; (ii) a decrease in revenue from auxiliary marine related services by approximately HK\$71.6 million; and (iii) an increase in revenue from marine construction works by approximately HK\$22.1 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Gross profit of the Group increased by approximately HK\$15.5 million or 7.6% from approximately HK\$205.1 million for the year ended 31 December 2021 to approximately HK\$220.6 million for the year ended 31 December 2022. In addition, the Group recorded a gross profit margin of approximately 7.7% for the year ended 31 December 2022 compared to approximately 6.4% for the year ended 31 December 2021.

For the year ended 31 December 2022, the Group recorded profit for the year and a loss for the year attributable to equity holders of the Company of approximately HK\$10.5 million and HK\$12.2 million, respectively. For the year ended 31 December 2021, the Group recorded profit for the year and profit attributable to equity holders of the Company of approximately HK\$16.8 million and HK\$2.6 million, respectively. The fluctuation in profit for the year was mainly attributable to the combined effect of (i) the movement in revenue and gross profit as analysed above; (ii) the increase in other gains, net; (iii) the increase in research and development expenses and other administrative expenses; and (iv) the reduction in provision for impairment losses on financial assets.

*Analysis on the financial performance for the six months ended 30 June 2022 compared to the six months ended 30 June 2023*

As set out in the 2023 Interim Report, the Group recorded total revenue of approximately HK\$874.3 million for the six months ended 30 June 2023, representing a decrease of approximately 32.8% or HK\$425.9 million as compared to the total revenue of approximately HK\$1,300.2 million for the six months ended 30 June 2022. Such decrease was mainly due to (i) a decrease in revenue from marine construction works by approximately HK\$208.9 million or approximately 73.9%, as the Group's key marine construction projects in Macao from prior years had been substantially completed by end of year 2022, while new projects were still at a preliminary stage during the six months ended 30 June 2023 leading to a challenging phase of the operation cycle of its marine construction business segment and substantial drop in revenue during the six months ended 30 June 2023 with relatively low revenue; and (ii) a decrease in revenue from General Construction Business segment generated from Qingdao by approximately HK\$237.3 million or approximately 23.6% as fewer potential new projects in the General Construction segment were launched during the six months ended 30 June 2023 attributable to economic uncertainties at the material time.

Gross profit of the Group decreased by approximately HK\$46.6 million or 49.2% from approximately HK\$94.8 million for the six months ended 30 June 2022 to approximately HK\$48.2 million for the six months ended 30 June 2023. While the Group's revenue and cost of sales both decreased, the gross profit margin slightly decreased from approximately 7.3% for the six months ended 30 June 2022 to approximately 5.5% for the six months ended 30 June 2023. The slight decrease in gross profit margin was mainly attributable to preliminary expenditures incurred, such as repairs on and mobilisation of vessels and equipment, and staff costs, on the launch of a marine engineering project in the Philippines during the six months ended 30 June 2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group recorded a loss for the period attributable to equity holders of the Company of approximately HK\$49.3 million for the six months ended 30 June 2023 as compared to a profit for the period attributable to equity holders of the Company of approximately HK\$3.8 million for the six months ended 30 June 2022. Such decrease was mainly attributable to the notable decrease in gross profit, the Group also recorded foreign exchange losses compared to foreign exchange gain in the corresponding prior year period and the increase in research and development expenses.

### *Summary of consolidated balance sheets of the Group*

	<b>As at 30 June 2023</b>	<b>As at 31 December</b>	
	<i>HK\$'000</i>	<b>2022</b>	<b>2021</b>
	<i>(unaudited)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(audited)</i>	<i>(audited)</i>
Total assets	4,666,329	4,893,994	4,436,947
Total liabilities	4,089,699	4,269,677	3,793,548
Total equity attributable to owners of the Company	452,552	507,792	543,422

### *Analysis on the comparison of financial position as at 31 December 2022 and 2021*

As at 31 December 2022, the Group recorded total assets of approximately HK\$4,894.0 million, representing an increase of approximately 10.3% as compared to approximately HK\$4,436.9 million as at 31 December 2021, which primarily comprised (i) the property, plant and equipment of approximately HK\$331.3 million; (ii) the trade, retention and notes receivables of approximately HK\$860.2 million; (iii) the amounts due from fellow subsidiaries of approximately HK\$1,056.9 million; (iv) the contract assets of approximately HK\$1,630.0 million; and (v) the cash and cash equivalents of approximately HK\$324.5 million. The Group recorded total liabilities of approximately HK\$4,269.7 million as at 31 December 2022, representing an increase of approximately 12.6% as compared to approximately HK\$3,793.5 million as at 31 December 2021, which primarily comprised of trade, retention and notes payables of approximately HK\$2,599.1 million. The total equity attributable to equity holders of the Company decreased from approximately HK\$543.4 million as at 31 December 2021 to approximately HK\$507.8 million as at 31 December 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Analysis on the comparison of financial position as at 30 June 2023 and 31 December 2022*

As at 30 June 2023, the Group recorded total assets of approximately HK\$4,666.3 million, representing an decrease of approximately 4.7% as compared to approximately HK\$4,894.0 million as at 31 December 2022, which primarily comprised (i) the property, plant and equipment of approximately HK\$337.1 million; (ii) the trade, retention and notes receivables of approximately HK\$914.2 million; (iii) the amounts due from fellow subsidiaries of approximately HK\$1,200.0 million; (iv) the contract assets of approximately HK\$1,461.0 million; and (v) the cash and cash equivalents of approximately HK\$223.8 million. The Group recorded total liabilities of approximately HK\$4,089.7 million as at 30 June 2023, representing a decrease of approximately 4.2% as compared to approximately HK\$4,269.7 million as at 31 December 2022, which primarily comprised of trade, retention and notes payables of approximately HK\$2,056.6 million. The total equity attributable to equity holders of the Company decreased from approximately HK\$507.8 million as at 31 December 2022 to approximately HK\$452.6 million as at 30 June 2023.

### **2. Background information on Qingdao Haifa Group Co. and West Coast Development HK**

#### ***Qingdao Haifa Group Co.***

Qingdao Haifa Group Co. is the ultimate holding company of the Company and a state-owned enterprise wholly-owned by the Qingdao Municipal People's Government State-owned Assets Supervision and Administration Commission (青島市人民政府國有資產監督管理委員會). Through its subsidiaries, it principally engages in infrastructure construction, land development, property development and other industrial investment and operation (including culture, tourism and financial services).

#### ***West Coast Development HK***

West Coast Development HK is an investment holding company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. It indirectly holds 80.0% equity interests in Dongjie Construction, which is principally engaged in the provision of general construction contracting services and is involved in various construction projects in the PRC including, but not limited to, general contracting of building construction, building foundation, garden greening projects, garden landscaping projects, cultural relics protection projects, property development business, building materials wholesale, building demolition, pipeline engineering (excluding pressure pipelines), road construction, water conservancy and hydropower project construction, power engineering construction, municipal utilities engineering construction, mechanical and electrical engineering construction, lifting equipment installation projects, fire control facilities engineering, waterproofing and anti-corrosion insulation works, steel structure engineering, and building mechanical and electrical installation.



### 3. Overview of the economy and construction industry in the PRC and Shandong province

#### *Overview of the PRC economy and related policies*

Based on preliminary gross domestic product data<sup>1</sup> published by the National Bureau of Statistics of China in July 2023, for the six months ended 30 June 2023, the gross domestic product (“GDP”) of the PRC recorded a period-on-period growth compared to the corresponding period in the prior year (比上年同期增長) of approximately 5.5%.

Pursuant to the 14th Five Year Plan (the “14th FYP”)\* (十四五規劃) announced by the PRC government in March 2021, the target urbanisation rate of the resident population\* (常住人口城鎮化率) for the next five years from 2021 is approximately 65.0%. Based on publication by the PRC government in relation to the 14th FYP, the PRC government will focus on enhancing the quality and efficacy of the overall economy with a view to attain sustainable and healthy development through, among others, (i) the improvement of supply chain modernisation\* (提升產業鏈供應鏈現代化水平); (ii) the development of strategical new industries\* (發展戰略性新興產業); (iii) the acceleration of modern service industries development\* (加快發展現代服務業); (iv) the coordination of infrastructure construction advancement\* (統籌推進基礎設施建設); and (v) the acceleration of the development of digitalisation\* (加快數位化發展).

We also noted that the three red lines\* (三條紅線), being one of the core policy directives for the real estate development industry issued by the PRC government at the relevant time<sup>2</sup>, became important rules for regulating the financing of PRC real estate development enterprise in or around the second half of 2020. Subsequently, The People’s Bank of China\* (中國人民銀行) and China Banking and Insurance Regulatory Commission\* (中國銀行保險監督管理委員會) jointly issued the notice titled “Provision of Financial Support for the Stability and Healthy Development of the Real Estate Market\*” (關於做好當前金融支持房地產市場平穩健康發展工作的通知)<sup>3</sup> dated 23 November 2022 in relation to (i) ensure stable and orderly real estate financing\* (保持房地產融資平穩有序); (ii) proactively carry out “guarantee delivery of vacant possession” related financial services\* (積極做好“保交樓”金融服務); (iii) proactively cooperate on risk management of real estate development enterprises in difficulties\* (積極配合做好受困房地產企業風險處置); (iv) protect the legal rights and interests of residential property financial consumers\* (依法保障住房金融消費者合法權益); (v) adjust part of the financial management policies in stages\* (階段性調整部分金融管理政策); and (vi) provide greater financial support on leasing of residential properties\* (加大住房租賃金融支持力度).

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1 Data published by National Bureau of Statistics, the PRC (source: [www.stats.gov.cn/sj/zxfb/202307/t20230717\\_1941310.html](http://www.stats.gov.cn/sj/zxfb/202307/t20230717_1941310.html))

2 PRC government published article in relation to finance and land related policies dated 1 March 2021 (source: [www.gov.cn/xinwen/2021-03/01/content\\_5589400.htm](http://www.gov.cn/xinwen/2021-03/01/content_5589400.htm))

3 Announcement of Provision of Financial Support for the Stability and Healthy Development of the Real Estate Market\* 《關於做好當前金融支持房地產市場平穩健康發展工作的通知》 jointly published by The People’s Bank of China\* (中國人民銀行) and China Banking and Insurance Regulatory Commission\* (中國銀行保險監督管理委員會) dated 23 November 2022 (source: [big5.www.gov.cn/gate/big5/www.gov.cn/xinwen/2022-11/23/content\\_5728454.htm](http://big5.www.gov.cn/gate/big5/www.gov.cn/xinwen/2022-11/23/content_5728454.htm))

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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More recently, in the second half of 2023, the PRC government has continued to announce and/or introduce various policies supporting the continuous development of the PRC property market, including, among others, the People's Bank of China\* (中國人民銀行) and the National Administration of Financial Regulation\* (國家金融監督管理總局) jointly issued (i) the notice titled "Extending the Policy Term of Financial Support for the Stable and Healthy Development of the Real Estate Market\*" (關於延長金融支持房地產市場平穩健康發展有關政策期限的通知)<sup>4</sup> dated 10 July 2023 in relation to encouraging PRC financial institutions to conduct independent negotiation with the real estate developers and to support them through the extension of existing loans, adjustment of repayment arrangements and other measures, with a view to assist with the completion of property development projects; and (ii) the notice titled "Reducing the Interest Rates of Existing Individual Housing Loans for the Purchase of First Housing Units\*" (關於降低存量首套住房貸款利率有關事項的通知)<sup>5</sup> dated 31 August 2023 in relation to the relaxation of certain lending criteria/restrictions set by financial institutions for personal property lending for the first property in stock\* (存量首套住房商業性個人住房貸款) as well as directive on the interest rate level of the aforesaid loans so as to further continue its supportive policies to the industry.

Accordingly, the development of the PRC construction industry will continue to be influenced by changes in PRC government policies at a national and regional level, market environment as well as the overall economic development of the PRC. In view of the above, although the PRC real estate market has experienced a challenging phase of its operating cycle, it is expected that the continuous development of the PRC economy as well as a supportive policy environment shall support the long-term development of the PRC construction industry.

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- 4 Announcement of Extending the Policy Term of Financial Support for the Stable and Healthy Development of the Real Estate Market\* 《關於延長金融支持房地產市場平穩健康發展有關政策期限的通知》 jointly published by The People's Bank of China\* (中國人民銀行) and National Administration of Financial Regulation\* (國家金融監督管理總局) dated 10 July 2023 (source: [https://www.gov.cn/lianbo/bumen/202307/content\\_6891056.htm](https://www.gov.cn/lianbo/bumen/202307/content_6891056.htm))
- 5 Announcement of Reducing the Interest Rates of Existing Individual Housing Loans for the Purchase of First Housing Units\* 《關於降低存量首套住房貸款利率有關事項的通知》 jointly published by The People's Bank of China\* (中國人民銀行) and National Administration of Financial Regulation\* (國家金融監督管理總局) dated 31 August 2023 (source: [https://www.gov.cn/zhengce/zhengceku/202309/content\\_6901351.htm](https://www.gov.cn/zhengce/zhengceku/202309/content_6901351.htm))

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Shandong province*

The table below sets out a summary of the gross output value of Shandong province's construction industry from 2018 to 2022:

	2018	2019	2020	2021	2022
Total gross output value of construction enterprises (RMB billion)	1,289.8	1,426.9	1,494.7	1,641.2	1,755.9
Year-on- Year ("YoY") increase in total gross output value of construction enterprises	12.4%	10.6%	4.8%	9.8%	7.0%
Gross output value of State-owned construction enterprises (RMB billion)	365.7	428.8	482.4	526.1	<i>note</i>
YoY increase in state-owned gross output value of construction enterprises	24.6%	17.3%	12.5%	9.1%	<i>note</i>

*Note: The relevant data has not been included in the 2022 Shandong Statistical Yearbook*

*Source: 2022 Shandong Statistical Yearbook, Shandong Provincial Bureau of Statistics (source: [tjj.shandong.gov.cn/tjnj/nj2022/zk/zk/indexch.htm](http://tjj.shandong.gov.cn/tjnj/nj2022/zk/zk/indexch.htm)) and 2022 Shandong Province National Economic and Social Development Statistical Bulletin\* (2022年山東省國民經濟和社會發展統計公報) (source: [www.shandong.gov.cn/art/2023/3/2/art\\_305196\\_10335931.html?xxgkhide=1](http://www.shandong.gov.cn/art/2023/3/2/art_305196_10335931.html?xxgkhide=1))*

As set out in the table above, the total gross output value of construction enterprises in the Shandong province recorded year-on-year growth during the period from 2018 to 2022, of which the state-owned construction enterprises in the Shandong province contributed in the region of 25% to 35% between 2018 and 2021 historically, demonstrating that the state-owned construction enterprises in the Shandong province have been one of the main driving forces behind the construction industry in the Shandong province.

We also noted from a publication<sup>6</sup> by the Shandong Provincial People's Government\* (山東省人民政府) in January 2023 that the construction industry of the Shandong province has continued to make progress, and its status as a major construction province has been further consolidated. Going forward, Shandong province's construction industry shall maintain its innovation drive, accelerate its technological innovation, promote transformation and upgrading, improve quality and efficiency, with a view to make greater contributions towards promoting high-quality economic and social development of Shandong province. On this basis, the Management considered that PRC government policies will continue to support the development in construction industry in Shandong province over time.

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<sup>6</sup> Publication titled "The comprehensive strength of the construction industry has been significantly enhanced and the pace of high-quality development has accelerated\*" (建築業綜合實力顯著增強高品質發展步伐加快) (source: [tjj.shandong.gov.cn/art/2023/1/6/art\\_312291\\_10302329.html](http://tjj.shandong.gov.cn/art/2023/1/6/art_312291_10302329.html))

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### VII. PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 1. Principal terms of the 2024 Construction Services Framework Agreement

Date: 16 November 2023

Parties: (a) Qingdao Haifa Group Co.; and  
(b) West Coast Development HK

Subject matter: The Group will provide construction services to the Haifa Group and may therefore participate in bidding for construction projects of the Haifa Group in the PRC from time to time. If the bids submitted by the Group are successful in accordance with the bidding procedures established by the Haifa Group, the Group will enter into Individual Contracts with the Haifa Group for the provision of construction services by the Group as the contractor subject to the terms and conditions of the 2024 Construction Services Framework Agreement at fair and reasonable market prices.

Term: From 1 January 2024 to 31 December 2026 (both dates inclusive)

Pricing policy: The contract sum of each Individual Contract is determined through an open tender process to ensure that the price and terms of the Group's bid are on normal commercial terms and no more favourable than those offered to independent third parties, or the market prices or benchmarks for transactions of a similar nature.

In determining the bid price for each Individual Contract, the Group will take into account factors including, but not limited to, (i) the estimated cost required to meet the quality standards and construction requirements of each individual construction projects. In order to make a cost estimate for the individual construction project, the Group will solicit quotations from at least three different independent third-party suppliers, subcontractors, and/or service providers (as appropriate) for reference; and (ii) a reasonable profit margin to be determined after taking into account various relevant factors such as prevailing market conditions, competition landscape, project duration, and any associated risk factors.

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In addition, the Group will also consider the unit price for each type of construction work with reference to the standards and guidelines on the relevant rates and charges published by the authorities such as the Qingdao Municipal Bureau of Housing and Urban-Rural Development\* (青島市住房和城鄉建設局) and the cost of materials published by industry associations such as the Qingdao Engineering Construction Standard & Cost Association\* (青島市工程建設標準造價協會).

**Payment terms:** The contract sum payable by the Haifa Group will be settled in accordance with the payment terms as set out in each of the Individual Contracts in line with normal market practice and payment terms for similar projects.

To the best of the knowledge and belief of the Directors, and in accordance with normal market practice, the contract sum will generally be invoiced and settled in stages based on the actual progress of the project to be further delineated in the Individual Contracts.

**Conditions precedent:** The passing of the relevant resolutions by the Independent Shareholders at the EGM to approve the 2024 Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

Please refer to the Letter from the Board for further information on the principal terms of the 2024 Construction Services Framework Agreement.

### **2. Reasons for and benefits of entering into the 2024 Construction Services Framework Agreement**

The following reasons for and benefits of entering into the 2024 Construction Services Framework Agreement have been extracted from the Letter from the Board and summarised below.

The Group, by combining the strengths and expertise of both Dongjie Construction, 80% equity interest of which are held by the Group, and Honghai Curtain Wall, of which the Group has board control and 34% equity interest in, has significantly expanded its capabilities in the recent years. Recognising the strategic value of cooperation, the Group has established a cooperation relationship with the Haifa Group, which has a state-owned background and is primarily engaged in infrastructure construction, land development, real estate development, and a wide range of industrial investment and operation, including culture, tourism, and financial services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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By entering into the 2024 Construction Services Framework Agreement and subsequently acting as a contractor for successful bids, the Group aims to consolidate and strengthen its construction business in the PRC. By collaborating with the Haifa Group, the Group is expanding its business portfolio, enhancing its market competitiveness and overall presence in the dynamic construction landscape of the PRC. The Board believes that these actions will unlock significant opportunities for sustainable growth. By leveraging its combined strengths, industry expertise, and collaboration, the Group is poised to navigate the intricate dynamics of the construction industry in the PRC, with a view to maximise value creation for the Shareholders.

Having considered that, (i) the Group is principally engaged in the provision of marine construction services, auxiliary marine related services and general construction contracting services; (ii) Haifa Group principally engages in infrastructure construction, land development, property development and other industrial investment and operations (including cultural, tourism and financial services); (iii) the transactions contemplated under the 2024 Construction Services Framework Agreement are a furtherance of the Group's principal business in the PRC; (iv) the Proposed Annual Caps, if approved, would facilitate the transactions contemplated under the 2024 Construction Services Framework Agreement for the years ending 31 December 2024, 2025 and 2026 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; and (v) the Group has the right but not the obligation to bid/compete for the projects from the Haifa Group at terms determined in accordance with the respective pricing policies, we concur with the Directors' view that the transactions contemplated under the 2024 Construction Services Framework Agreement are in the interests of the Company as a whole.

### 3. Pricing basis and internal control procedures

In addition, as advised by the Management, in respect of the transactions under the 2024 Construction Services Framework Agreement, the price and terms of the Group's tender/bidding documents submitted to the Haifa Group are subject to the standard tender/bidding submission procedures (the "**Standard Submission Procedures**") maintained by the Group, which shall apply to all tenders/bids in relation to the construction projects submitted to both connected persons and independent third parties.

#### *Our work performed on the internal control procedures*

The Standard Submission Procedures, as advised by the Management, typically involve (i) receiving tenders or invitation for quotation notices, which is then considered by the operation department\* (市場經營部) in terms of, where applicable, project work scope, criteria and scale, and other factors of the projects, to determine whether to compete for such project; (ii) initial assessment of the projects, which would involve the tender department conducting analysis on the project in respect of cost estimation as well as profit estimation, and tender/bidding pricing, the aforesaid assessments are conducted with the view to enable the tender department to comprehensively evaluate the corresponding costs and profit to be derived from the subject contract; and (iii) preparation of risk control reports, which typically covers information in relation to the initial assessment of projects, risk assessment, human resources planning and initial cash flow outlay. Such risk control

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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reports set out, including but not limited to (a) credibility of the property owner and relevant permits at preliminary of project prepared by the marketing and operation department; (b) the project funding information prepared by the marketing and operation department and the financial management department; (c) commercial and legal risks on the contract terms as prepared by the commercial department and legal department; and (d) project management and human resources planning prepared by the engineering department, quality and safety department and human resources department. The risk control reports also include price of tender/bidding based on the initial assessment of projects and should be authorised by the general manager and/or the chairman of Dongjie Construction, such personnel shall also approve tender/bidding submission, where appropriate, after taking into account the information available to the Company at the relevant time.

In this connection, the personnel authorising the submission of tender/bidding shall ensure that the terms thereunder to comply with the pricing policy under the 2024 Construction Services Framework Agreement, thus the estimated profit margin expected to be derived from the subject contract(s) to be in line with profit margin derived from similar independent third-party projects by the Group in the past.

We have (i) reviewed the Standard Submission Procedures, which govern the procedures for evaluating and submitting tenders/bids; and (ii) obtained a total of 14 sample contracts (which comprised of seven sample contracts carried out with connected persons and seven sample contracts carried out with independent third parties, based on the following criteria (the “**Criteria**”), namely (a) nature and work scope of the transactions are similar to those of the services to be provided under 2024 Construction Services Framework Agreement; and (b) the contracts entered into by the Group with connected persons were recent, i.e. in or after 2021, and with a relatively large contract sum (i.e. contracts with contract sum of not less than RMB200 million (the “**Sizeable Contracts**”). Based on information provided by the Management, the Sizeable Contracts which have been obtained and reviewed by us, in aggregate, contributed approximately 50.5% of the total historical transaction amounts from 1 January 2021 to 30 June 2023 under the Original Annual Caps)) and its related approval documents, which include risk control reports, and tender/bid documents, in relation to the construction projects carried out with both Independent Third Parties and connected persons (the “**Samples**”).



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Having considered that (i) the Samples are transacted across a period of time in the recent past, during the period from 1 January 2021 and up to the date of the announcement for the Continuing Connected Transaction; (ii) the contracts related to the Samples with the connected persons had a relatively large contract sum and were selected on a random basis, therefore are considered to be representative for the purpose of our analysis; and (iii) the seven Samples in relation to transactions conducted with independent third parties, were comparable in nature to the Samples in relation to transactions conducted with connected persons selected based on the Criteria, we consider the Samples are sufficient, fair and representative for the purpose of our analysis. We noted from the Samples that the basis for the determination of pricing, submitted to Independent Third Parties and connected persons, did not deviate from the stated pricing policies. We also noted from the selected Samples that the estimated profit margin to be derived from the Samples with connected party(ies) were not less favourable than similar type of contracts entered into with Independent Third Parties, which ranged from approximately 2.5% to 7.0%.

Based on our work performed, we concur with the Directors' view that the pricing basis to be applied to the transactions under the 2024 Construction Services Framework Agreement are fair and reasonable.

#### **4. Basis for determining the Proposed Annual Caps**

We noted from the Letter from the Board that the Proposed Annual Caps were determined with reference to the estimated revenue to be derived from Individual Contracts that have been entered into, and that may be entered into between the Group and the Haifa Group during the period from 1 January 2024 to 31 December 2026, including

- (i) the Group has entered into 36 Individual Contracts with a total contract sum (exclusive of VAT) of approximately RMB5,332.36 million (equivalent to approximately HK\$5,758.95 million) with the Haifa Group. It is expected that these contracts will generate revenue of approximately RMB1,165.57 million, RMB883.23 million and RMB293.58 million for the year ending 31 December 2024, 2025 and 2026, respectively;
- (ii) the Group plans to submit four bids and one quotation the Haifa Group by the end of 2023, with an estimated total contract sum (exclusive of VAT) of approximately RMB720.17 million and RMB64.22 million, respectively. It is expected that if the Group is awarded the relevant contracts, it will generate revenue of approximately RMB33.94 million, RMB429.35 million and RMB321.10 million (equivalent to approximately HK\$36.66 million, HK\$463.70 million and HK\$346.79 million) for the year ending 31 December 2024, 2025 and 2026, respectively; and



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- (iii) there is an expected increase in the number and total contract sum of new construction projects from the Haifa Group. These projects have potential to be recognised as revenue by the Group for the year ending 31 December 2025 and 2026. The expected increase in total contract sum of construction projects is determined by two factors. Firstly, based on the status of projects on hand, the Group expects growth of not less than 15% in the transaction amount with the Haifa Group in the Group's construction contracting business for the year ending 31 December 2024, indicating anticipated business expansion. Secondly, the Proposed Annual Cap for the two years ending 31 December 2026 further incorporates a buffer of 5% to 10% to accommodate unforeseen circumstances or opportunities.

### *Our analysis on the Proposed Annual Caps*

The Original Annual Caps and the historical transaction amounts for the transactions contemplated under the 2020 Construction Services Framework Agreement and its supplemental agreement for the relevant periods are set out below:

	1 January 2021 to 31 December 2021 <i>HK\$'000</i>	1 January 2022 to 31 December 2022 <i>HK\$'000</i>	1 January 2023 to 30 June 2023 <i>HK\$'000</i>
Original Annual Caps	1,846,000 <i>(Note 1)</i>	3,164,000 <i>(Note 1)</i>	4,746,000 <i>(Note 1)</i>
Historical transaction amounts <i>(rounded to the nearest thousands)</i>	1,825,178	1,527,530	407,105 <i>(Note 2)</i> <i>(Annualised amount: 814,210 (Note 3))</i>
Utilisation rate (%)	98.9%	48.3%	8.6% <i>(17.2%, based on the annualised amount)</i>

*Notes:*

- (1) The amounts represent the Original Annual Caps as revised for the transactions contemplated under the supplemental agreement to the 2020 Construction Services Framework Agreement in 2021.
- (2) The transaction amount represents the total for the six months ended 30 June 2023.
- (3) The annualised amount is based on the transaction amount recorded by the Group for the six months ended 30 June 2023 and such does not purport the actual transaction amount for the year ending 31 December 2023.

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The Proposed Annual Caps for the transactions contemplated under the 2024 Construction Services Framework Agreement for the three years ending 31 December 2024, 2025 and 2026 are set out below:

	1 January 2024 to 31 December 2024 <i>RMB'000</i>	1 January 2025 to 31 December 2025 <i>RMB'000</i>	1 January 2026 to 31 December 2026 <i>RMB'000</i>
Proposed Annual Caps	1,200,000 (the “ <b>2024 Annual Caps</b> ”)	1,500,000 (the “ <b>2025 Annual Caps</b> ”)	1,800,000 (the “ <b>2026 Annual Caps</b> ”)

### *Our work and analysis on the 2024 Annual Cap*

In assessing the fair and reasonableness of the 2024 Annual Caps, we have carried out the following work and analysis, including, among others:

- (i) the historical transaction amount under the 2020 Construction Services Framework Agreement for the years ended/ending 31 December 2021, 2022 and 2023 (on an annualised basis) ranged from approximately HK\$814.2 million (2023, on an annualised basis) to HK\$1,825.2 million (2021) with an average of approximately HK\$1,389.0 million (the “**Average Historical Transaction Amount**”), and the corresponding historical utilisation rate ranged from approximately 17.2% (2023, on an annualised basis) to 98.9% (2021). On this basis, the 2024 Annual Caps of RMB1,200 million (equivalent to approximately HK\$1,296 million) was broadly in line with the Average Historical Transaction Amount of approximately HK\$1,389.0 (equivalent to approximately RMB1,286.1 million).

We understand from the Management that the significant fluctuation in historical transaction amount and utilisation rate from year to year was attributable to a combination of factors, including, where applicable, (a) the macro-economy and the government policies at the material time; (b) the market conditions of the PRC property development industry, which in turn drives the market demand for construction works; (c) the availability and size of the construction contracts available for the Group to tender/bid for at the material time; (d) the competitiveness of the Group’s tender/bid submitted in comparison to the other competing tenders; and (e) the progress of the construction projects;

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- (ii) for the relatively low utilisation (on an annualised basis) of the existing annual cap for the year ending 31 December 2023, we noted that such may be attributable to the factors as analysed under (i) above as well as the PRC property market demand may have been dampened during the challenging phase of the operating cycle in the recent past, but in view of the policies announced and/or introduced by the PRC government, including, among others, the People's Bank of China\* (中國人民銀行) and the National Administration of Financial Regulation\* (國家金融監督管理總局), the analysis of which has been set out under the section headed "3. Overview of the economy and construction industry in the PRC and Shandong province – Overview of the PRC economy and related policies" in this letter above, demonstrated that the recent policies of the PRC government is supportive of the stable development of the PRC real estate industry in the long run. On this basis, barring unforeseen circumstances, the Management considered that these policies will lead to a positive impact in promoting sustainable and healthy long-term development of the property development market in the PRC.

However, it is noted that there have been certain relaxation of the PRC property market government policies in various regions and/or cities, such as, among others, the introduction of the policy setting out that mortgage on second property should to be treated in the same way as a mortgage on the first property, subject to the first mortgage having been repaid\* (認房不認貸) in Beijing, Shanghai, Guangzhou and Shenzhen<sup>7</sup>, the lowering of mortgage loan interest rate as well as other favourable PRC government policies. The introduction of these favourable PRC government policies should have a positive influence on the continuous development of the PRC construction market going forward;

- (iii) in assessing the reasonableness of the Proposed Annual Caps, we have discussed with the Management and was advised that the Proposed Annual Caps were determined with reference to, where applicable, (a) ongoing and secured construction contracts awarded by the Haifa Group; (b) projects under tender or to be tendered by the Group; and (c) potential construction projects of the Haifa Group which may require the provision of construction contracting services by the Group.

In this connection, we have obtained a project schedule prepared by the Management (the "**Project Schedule**") to support the basis of the Proposed Annual Caps for the years ending 31 December 2024, 2025 and 2026.

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<sup>7</sup> Publications by The People's Government of Beijing Municipality\* (北京市人民政府) in September 2023 (source: [www.beijing.gov.cn/zhengce/zhengcefagui/202309/t20230901\\_3242578.html](http://www.beijing.gov.cn/zhengce/zhengcefagui/202309/t20230901_3242578.html) and [www.beijing.gov.cn/zhengce/zcjd/202309/t20230901\\_3242582.html](http://www.beijing.gov.cn/zhengce/zcjd/202309/t20230901_3242582.html))

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The Project Schedule sets out that the 2024 Annual Cap is made up of a wide-range of construction projects, such as, among others, commercial properties, government-use properties and/or facilities, utility related facilities and/or structures and educational facilities.

We noted from the Project Schedule that the 2024 Annual Cap has taken into account that the Group has entered into 36 Individual Contracts with a total contract sum (exclusive of VAT) of approximately RMB5,332.36 million (equivalent to approximately HK\$5,758.95 million) with the Haifa Group. Based on information available as at the Latest Practicable Date and barring unforeseen circumstances, the Management expects that these contracts will generate revenue of approximately RMB1,165.57 million for the year ending 31 December 2024;

Out of the above, there are six construction projects which are expected to contribute not less than RMB80.0 million each in revenue for the Group during the year ending 31 December 2024 (the “**Sizeable Construction Projects**”), three of the contracts is expected to be completed during the year ending 31 December 2024, the other three contracts are expected to be completed during the year ending 31 December 2025 or beyond. In this connection, we have obtained and reviewed the Sizeable Construction Projects, the corresponding project budget and project schedule as prepared by the Management.

Based on information available as at the Latest Practicable Date, subject to the actual project progress and barring unforeseeable circumstances, the Management estimated that the Sizeable Construction Projects to contribute not less than RMB850.0 million (equivalent to approximately HK\$918.0 million) for the year ending 31 December 2024 in aggregate, which already contribute in the region of 70% of the 2024 Annual Cap. The remaining portion of the 2024 Annual Cap are mainly related to 30 other Individual Contracts which is expected to contribute less than RMB1.0 million to not more than RMB80 million each in revenue for the Group during the year ending 31 December 2024.

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Having considered the above reasons and factors, we considered the basis of the 2024 Annual Cap to be reasonable.

### *Our work and analysis on the 2025 Annual Cap and the 2026 Annual Cap*

For our assessment on the reasonableness of the 2025 Annual Cap and the 2026 Annual Cap, we have considered the following factors, among others:

- (i) the historical transaction amount is subject to the result of tenders, the size of contracts awarded, contract work scope, the project progress, the general macroeconomic conditions and the PRC property industry conditions, hence the historical transaction amounts have fluctuated. The aforesaid factors might have contributed towards the fact that the annualised amount, calculated based on the historical transaction amount for the six months ended 30 June 2023, is lower than the 2025 Annual Cap and the 2026 Annual Cap. However, it should be noted that although the PRC real estate market has experienced a challenging phase of its operating cycle, it is expected that the continuous development of the PRC economy as well as a supportive policy environment shall drive the long-term growth of the PRC construction industry. In any case, it is noted that for two out of three year period ended/ending 31 December 2021, 2022 and 2023 (on an annualised basis), the historical transaction amount under the 2020 Construction Services Framework Agreement exceeded HK\$1,500 million, which is above the 2024 Annual Caps of RMB1,200 million (equivalent to approximately HK\$1,296 million), and is broadly in line with the 2025 Annual Cap and 2026 Annual Cap;
- (ii) we have reviewed the published annual reports and the interim report of the Company and noted that for the recent financial years ended/ending 31 December 2021, 2022 and 2023 (annualised amount with reference to the six month period ended 30 June 2023 for illustrative purposes) (the “**Review Period**”), the year-on-year fluctuation in revenue, in absolute percentage terms, ranged from approximately 9.6% to 117.4% (the “**Reviewed Revenue Fluctuation Rate**”). The average year-on-year fluctuation in revenue during the Review Period was approximately 22.8%.

In this connection, the 2025 Annual Cap of RMB1,500 million and the 2026 Annual Cap of RMB1,800 million, which represented a year-on-year increase from the annual cap for the corresponding prior year of approximately 25% and 20% respectively. Such rates of increase are to ensure the subject annual cap is able to cater for, among others, an unexpected increase in market demand or new sizeable construction projects that may become available for tendering at a subsequent time, that are beyond the Management’s control, otherwise such would require both parties to go through their respective approval procedures which is undue burdensome and potentially lengthy to the Company as well as the Haifa Group, as a state-owned enterprise. Furthermore, we noted that the subject year-on-year increase in the 2025 Annual Cap and the 2026 Annual

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Cap is within the range of the Reviewed Revenue Fluctuation Rate and broadly in line with the average year-on-year fluctuation in revenue during the Review Period of approximately 22.8% and that each of the 2025 Annual Cap and the 2026 Annual Cap had also incorporated a buffer of 5% to 10% to accommodate unforeseen circumstances. In this connection, the year-on-year increase of 25% and 20% as represented by the 2025 Annual Cap and the 2026 Annual Cap is considered to be reasonable, respectively;

- (iii) we have obtained and reviewed the Project Schedule prepared by the Management to support the basis of the 2025 Annual Cap and 2026 Annual Cap. As part of the 2025 Annual Cap and 2026 Annual Cap, based on information available, the Management has estimated the progress of the project on hands as well as potential projects of the Haifa Group which may be available for the Group to tender/bid for. It is also noted that the Group plans to submit four bids and one quotation to the Haifa Group by the end of 2023, with an estimated total contract sum (exclusive of VAT) of approximately RMB720.17 million and RMB64.22 million, respectively. Based on information available, the Management expects that if the Group is awarded the relevant contracts, it will generate revenue of approximately RMB33.94 million, RMB429.35 million and RMB321.10 million (equivalent to approximately HK\$36.66 million, HK\$463.70 million and HK\$346.79 million) for the year ending 31 December 2024, 2025 and 2026, respectively;
- (iv) in addition, as the Haifa Group comprised of the Qingdao Haifa Group Co. and its subsidiaries and/or affiliated companies (excluding the Group), and that Qingdao Haifa Group Co. is a state-owned enterprise wholly-owned by the Qingdao Municipal People's Government State-owned Assets Supervision and Administration Commission (青島市人民政府國有資產監督管理委員會), which through its subsidiaries principally engages in infrastructure construction, land development, property development and other industrial investment and operation. In this connection, we have also considered the information as set out under the section headed "3. Overview of the economy and construction industry in the PRC and Shandong province", in particular, the year-on-year increase in state-owned gross output value of construction enterprises in the Shandong province, of which the Qingdao Municipal forms part, which ranged from approximately 9.1% to 24.6%. The year-on-year increase under 2026 Annual Cap of approximately 20% is within the aforesaid range of increases;

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- (v) furthermore, we understand from the Management that, subject to the size and scope of the subject construction project, while smaller scale construction contracts in the PRC may have a duration less than six months, larger scale construction contracts in the PRC may have a duration of over a period of 12 months. We also noted that the duration and size of the construction contracts would vary from project to project, the project construction schedule may be revised by the contract owner from time to time, additional construction contracts not identified previously may also be available for tender during the year ending 31 December 2025 and 2026. In the event that project progress is delayed, construction works may be carried out under the annual cap of a subsequent period;
- (vi) it is noted that contracts available for tender, completed works being certified and recognised as revenue by the Group may not be evenly distributed throughout 2025 and 2026, the 2025 Annual Cap and the 2026 Annual Cap need to allow a degree of flexibility to cater for unforeseen circumstances or any subsequent changes to the project schedule; and
- (vii) we also understand from the Management that (a) in the event the relevant annual cap at the time becomes insufficient, the Company would need to seek independent shareholders' approval before commencing the relevant construction works for the Haifa Group which would cause undue delay to the subject project(s); and (b) back in June 2021, due to unexpected increase in the demand of construction works by the Haifa Group, the Company had to seek independent shareholders' approval to revise the relevant annual caps upwards to cater for the increased demand, further details have been set out in the circular dated 30 June 2021.

Having considered the above reasons and factors, we considered the 2025 Annual Cap and the 2026 Annual Cap to be reasonable.

### VIII. RECOMMENDATION

Having considered the factors as disclosed in this letter above, in particular,

- (i) the reasons for and benefits of entering into the Continuing Connected Transactions;
- (ii) the award of construction services under the 2024 Construction Services Framework Agreement, subject to successful tender/bid, facilitates the development of the Group's construction business in the PRC, thus shall broaden the Group's revenue base;
- (iii) the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms that given the relevant internal control policies governing the tender/bidding procedures; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) the basis for determining the Proposed Annual Caps, including, amongst others, our analysis and work performed as set out under the section headed “4. Basis for determining the Proposed Annual Caps” in this letter above,

we are of the view that the entering into of the 2024 Construction Services Framework Agreement (including the Proposed Annual Caps) are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of the 2024 Construction Services Framework Agreement (including the Proposed Annual Caps) are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the 2024 Construction Services Framework Agreement (including the Proposed Annual Caps) at the EGM.

Yours faithfully  
For and on behalf of  
**Red Sun Capital Limited**  
**Lewis Lai**  
*Managing Director*

*Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 16 years of experience in the corporate finance industry.*

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



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL

<i>Authorised</i>	<i>HK\$</i>
4,000,000,000 Shares	40,000,000
<i>Issued and to be issued, fully paid or credited as fully paid</i>	
<u>800,000,000 Shares in issue as at the Latest Practicable Date</u>	<u>8,000,000</u>
<u>800,000,000 Total number of Shares</u>	<u>8,000,000</u>

All the Shares currently in issue rank pari passu in all respects with each other, including in particular, as to dividends, voting rights and capital. No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange.

As at the Latest Practicable Date, the Company has no other options, warrants and conversion or exchange rights convertible or exchangeable into Shares. No share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

## 3. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, none of the Directors or the chief executive officer of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which are required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and to the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

- (b) Substantial shareholders' interests and other person's interests and short positions in the Shares and underlying Shares As at the Latest Practicable Date, the following persons had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

*Long position in the Shares and underlying Shares*

Shareholder	Number of shares/Position	Percentage of shareholding	Capacity
Qingdao West Coast Holdings (Internation) Limited	498,000,000 Long position	62.25%	Beneficial owner
West Coast Investment (Hong Kong) Limited <sup>(Note 1)</sup>	498,000,000 Long position	62.25%	Interest of a controlled corporation
West Coast Holdings (Hong Kong) Limited <sup>(Note 1)</sup>	498,000,000 Long position	62.25%	Interest of a controlled corporation
Qingdao West Coast Holding Development Limited* (青島西海岸控 股發展有限公司) <sup>(Note 1)</sup>	498,000,000 Long position	62.25%	Interest of a controlled corporation
Qingdao Haifa State-owned Capital Investment and Operation Group Co. Ltd.* (青島海發國有資本投資運營集 團有限公司) <sup>(Note 1)</sup>	498,000,000 Long position	62.25%	Interest of a controlled corporation
Qingdao Municipal People's Government State-owned Assets Supervision and Administration Commission	498,000,000 Long position	62.25%	Interest of a controlled corporation
Sky Hero Global Limited	102,000,000 Long position	12.75%	Beneficial owner
Solid Jewel Investments Limited	102,000,000 Long position	12.75%	Interest of a controlled corporation
Mr. Cui Qi	102,000,000 Long position	12.75%	Interest of a controlled corporation
Ms. Mu Zhen	102,000,000 Long position	12.75%	Interest of spouse

*Note:*

1. *Each of these entities is wholly owned and controlled by the Qingdao State-owned Assets Supervision and Administration Commission of the State Council and is deemed under the SFO to be interested in all the Share which are directly and beneficially owned by Qingdao West Coast Holdings.*

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (other the Directors or chief executive of the Company) who had any interest or short position in the Shares, underlying Shares which would be required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or was directly or indirectly, interested in 10% or more of the issued voting shares of other member of the Group carrying rights to vote in all circumstances at general meetings of the Group or had options in respect of such capital.

#### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

#### **5. EXPERT**

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

<u>Name</u>	<u>Qualifications</u>
Red Sun Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Red Sun Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears. As at the Latest Practicable Date, Red Sun Capital Limited does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, as at the Latest Practicable Date, Red Sun Capital Limited does not have any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, any member of the Group since 31 December 2022.

#### **6. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group was made up.

**7. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) or have or may have any other conflict of interest with the Group pursuant to the Listing Rules.

**8. MISCELLANEOUS**

- (a) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.
- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (c) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.prosperch.com>) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the 2024 Construction Services Framework Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 14 in this circular;
- (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 38 in this circular;
- (d) the written consent of the expert referred to in the paragraph headed "Expert" in this appendix; and
- (e) this circular.

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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**Meeting**”) of Prosper Construction Holdings Limited (the “**Company**”) will be held at Room 2403-8, Shui On Centre, 6 to 8 Harbour Road, Wan Chai, Hong Kong on Friday, 29 December 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

1. To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

“**THAT:**

- (a) the entering into of the framework agreement dated 16 November 2023 between West Coast Development (Hong Kong) Limited (西海岸發展(香港)有限公司) and Qingdao Haifa State-owned Capital Investment and Operation Group Co. Ltd.\* (青島海發國有資本投資運營集團有限公司) (“**Qingdao Haifa Group**”) (the “**2024 Construction Services Framework Agreement**”), pursuant to which the Company and its subsidiaries (the “**Group**”) have agreed to provide construction services for construction projects to Qingdao Haifa Group and its subsidiaries and/or affiliated companies (the “**Haifa Group**”), which may involve the Group bidding for the Haifa Group’s construction projects in the People’s Republic of China, in accordance with the bidding procedures of the Haifa Group and the Group from time to time for the three years ending 31 December 2026 (a copy of the 2024 Construction Services Framework Agreement marked “A” has been produced to the Meeting and signed by the Chairman of the Meeting for the purpose of identification), the transactions contemplated thereunder and the proposed annual caps be hereby approved, ratified and confirmed; and
- (b) any one director of the Company be and is hereby authorised to execute the 2024 Construction Services Framework Agreement and all such other documents and to do all such acts or things for and on behalf of the Company, and to make and agree such variations of a minor or non-material nature in or to the terms of the 2024 Construction Services Framework Agreement as he/she may consider appropriate or desirable relating to or in connection with the matters contemplated therein.”

By order of the Board  
**Prosper Construction Holdings Limited**  
**Ni Chuchen**  
*Executive Director*

Hong Kong, 7 December 2023

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## NOTICE OF EGM

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*Head office and principal place of business in Hong Kong:*

Rooms 03-08, 24/F  
Shui On Centre  
6-8 Harbour Road, Wanchai  
Hong Kong

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Notes:*

1. The resolutions set out in this notice of the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. A member of the Company entitled to attend and vote at the Meeting will be entitled to appoint one or more proxies to attend and, on a poll, vote in his or her stead. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

In the case of joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the meeting, whether in person or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

3. A form of proxy for use at the meeting is being despatched together with this notice. In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be delivered to Tricor Investor Services Limited, the office of the Company's Hong Kong branch share registrar and transfer office at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the form of proxy, it will be deemed to have been revoked.
5. In order for a shareholder of the Company to be eligible to attend and vote at the Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 December 2023.