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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)

REVISION OF THE EXISTING ANNUAL CAPS REGARDING THE CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to
the Independent Board Committee and Independent Shareholders



红日资本有限公司
RED SUN CAPITAL LIMITED

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 24 and 25 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 26 to 48 of this circular.

A notice convening the EGM to be held at Unit Nos. 04–05 on 5th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong on Tuesday, 20 July 2021 at 10:00 a.m. is set out on pages 24 to 25 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 Level 54, Hopewell Centre, 183 Queen’s Road East, 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.

Precautionary measures and special arrangements for the EGM

In view of the novel coronavirus (COVID-19) outbreak, certain measures will be implemented at the EGM to reduce the risk of infection to attendees of the EGM, including but not limited to (i) compulsory body temperature check; (ii) wearing of surgical mask throughout the EGM; and (iii) no refreshments or drinks being provided. Attendees who do not comply with the precautionary measures above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

The Company will keep monitoring the COVID-19 situation and may implement additional measures which, if any, will be announced at a time closer to the date of the EGM.

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DEFINITIONS

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:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Prosper Construction Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 6816)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Services Framework Agreement”	the framework agreement dated 28 April 2020 entered into between West Coast Development HK and Qingdao West Coast Group, pursuant to which the Group has agreed to provide construction services for construction projects to the Qingdao Group, which may involve tendering for the Qingdao Group’s construction projects in the PRC, in accordance with the tendering procedures of the Qingdao Group and the Group
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dongjie Construction”	Qingdao Dongjie Construction Engineering Co., Ltd.* (青島東捷建設工程有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Effective Date”	the date falling upon the passing of the proposed resolution by the Independent Shareholders at the EGM
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Supplemental Construction Services Framework Agreement (including but not limited to the Revised Annual Caps) and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

- “Independent Board Committee” an independent committee comprising Mr. Cheung Chi Man Dennis, Mr. Wang Yaping and Mr. Cheng Xuezhao, all being the independent non-executive Directors, established to advise the Independent Shareholders in relation to the Supplemental Construction Services Framework Agreement (including but not limited to the Revised Annual Caps) and the transactions contemplated thereunder
- “Independent Financial Adviser” Red Sun Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Construction Services Framework Agreement (including but not limited to the Revised Annual Caps) and the transactions contemplated thereunder
- “Independent Shareholders” Shareholder(s) who are not interested in the Supplemental 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 Revised Annual Caps
- “Independent Third Party(ies)” any person(s) or company(s) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third party(ies) independent of and not connected with any director, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates
- “Landong Construction Contracts” the construction contract and the supplemental contract entered into between Dongjie Construction and Qingdao Xifa Real Estate Company Limited* (青島西發置業有限公司), an indirect wholly-owned subsidiary of Qingdao West Coast Group, on 13 February 2020 with regard to the appointment of Dongjie Construction as the main contractor for the provision of construction services

DEFINITIONS

“Lanxi Construction Contracts”	the construction contract and the supplemental contract entered into between Dongjie Construction and Qingdao West Coast New Area Development Company Limited* (青島西海岸新區開發建設有限公司), an indirect wholly-owned subsidiary of Qingdao West Coast Group, on 13 February 2020 with regard to the appointment of Dongjie Construction as the main contractor for the provision of construction services
“Latest Practicable Date”	25 June 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Qingdao Group”	Qingdao West Coast Group and its subsidiaries and/or affiliated companies
“Qingdao Honghai”	青島宏海幕牆有限公司(Qingdao Honghai Curtain Wall Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Qingdao West Coast Group”	Qingdao West Coast Development (Group) Limited* (青島西海岸發展(集團)有限公司), the ultimate holding company and a controlling shareholder of the Company
“Revised Annual Caps”	the revised annual caps for the Construction Services Framework Agreement for the three years ending 31 December 2021, 2022 and 2023
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supplemental Construction Services Framework Agreement”	the supplemental agreement entered into between West Coast Development HK and Qingdao West Coast Group on 3 June 2021 in relation to the amendments of certain terms of the Construction Services Framework Agreement, including the Revised Annual Caps
“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
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	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, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB0.85 to HK\$1.00. This exchange rate is adopted for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.



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. Wang Xuejun (*Chairman*)
Mr. Cui Qi (*Chief executive officer*)
Mr. Ding Hongbin (*Chief operating officer*)
Mr. Yang Zhenshan
Mr. Jiang Shuang
Mr. Yang Honghai

Independent non-executive Directors:

Mr. Cheung Chi Man Dennis
Mr. Wang Yaping
Mr. Cheng Xuezhao

Registered office:

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

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

Unit Nos. 04–05 on 5th Floor
K. Wah Centre
191 Java Road, North Point
Hong Kong

30 June 2021

To the Shareholders

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the circular of the Company dated 8 June 2020 in relation to the Construction Services Framework Agreement and the related annual caps approved by the Independent Shareholders at the extraordinary general meeting of the Company on 29 June 2020.

According to the recent review by the Board on the transactions under the Construction Services Framework Agreement, which took into consideration (i) the transactions between the Group and the Qingdao Group for the four months ended 30 April 2021 and (ii) the expected progress of and revenue from projects already awarded or currently under bidding from the Qingdao Group, the annual cap of the Construction Services Framework Agreement for the year ending 31 December 2021 is expected to be fully utilised by or around August 2021. Therefore, the Supplemental Construction Services Framework Agreement was entered into on 3 June 2021 and the Board proposed to seek the approval of the Independent Shareholders on, among other matters,

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the Revised Annual Caps and the transactions contemplated under the Supplemental Construction Services Framework Agreement. As at the Latest Practicable Date, the annual caps of the Construction Services Framework Agreement have not been exceeded.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of Supplemental Construction Services Framework Agreement (including but not limited to the Revised Annual Caps) and the transactions contemplated thereunder are fair and reasonable on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is to provide you with further information regarding the Supplemental Construction Services Framework Agreement as well as the Revised Annual Caps for the transactions contemplated thereunder, and to seek approval from the Shareholders and the Independent Shareholders for the Supplemental Construction Services Framework Agreement, (including the Revised Annual Caps) and the transactions contemplated thereunder.

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the circular of the Company dated 8 June 2020 relating to, *inter alia*, the Construction Services Framework Agreement.

Independent Shareholders' approvals for the continuing connected transactions and the annual caps assigned under the Construction Services Framework Agreement had been obtained by the Company at the extraordinary general meetings of the Company held on 29 June 2020. As the annual cap of the Construction Services Framework Agreement for the year ending 31 December 2021 is expected to be fully utilised by or around August 2021, West Coast Development HK and Qingdao West Coast Group had entered into the Supplemental Construction Services Framework Agreement on 3 June 2021 to amend certain terms of the Construction Services Framework Agreement, including the Revised Annual Caps.

Except for the term, the annual caps for the two years ending 31 December 2021 and 2022 and the inclusion of the annual cap for the year ending 31 December 2023, there is no material difference between the Construction Services Framework Agreement and the Supplemental Construction Services Framework Agreement. Details of the Supplemental Construction Services Framework Agreement are set out as follows:

- Date:** 3 June 2021
- Parties:** (a) Qingdao West Coast Group; and
(b) West Coast Development HK

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- Subject matter:** The Group will provide construction services to the Qingdao Group and may therefore participate in tenders for construction projects of the Qingdao Group in the PRC from time to time. If any tenders submitted by the Group have been awarded in accordance with the tendering procedures of the Qingdao Group, the Group shall enter into individual construction contracts (the “**Individual Contracts**”) with the Qingdao Group for the provision of construction services by the Group as the contractor subject to terms and conditions of the Supplemental Construction Services Framework Agreement at fair and reasonable market prices.
- Term:** For the period commencing from the Effective Date until 31 December 2023.
- Pricing:** The contract sum payable under each of the Individual Contracts will be determined through an open tender process to ensure that price and terms of the tender submitted by the Group are on normal commercial terms and no more favourable than those submitted to Independent Third Parties, or the market prices or benchmarks for transactions of similar nature. In determining the pricing terms, the Group will take into account factors including but not limited to the types of construction works, technical requirements, risks, expected completion time, quantity specifications, labour costs, machinery and equipment costs, management fees, safety and civilized construction fees and the applicable tax rates for construction works in the PRC. The Group will take into account not less than three quotations from its suppliers and/or sub-contractors for the costing of each construction project. In addition, the Group will take into account the unit price for each type of construction work with reference to the standards and guidance on the relevant rates and fees published by the authorities such as 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 issued by industry associations such as Qingdao Engineering Construction Standard & Cost Association* (青島市工程建設標準造價協會). Each of the final contract sums shall be finalised after the completion of the construction project, subject to further price adjustments to be made in accordance with the terms of adjustment as adopted by the parties under each of the Individual Contracts.

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Payment terms: The contract sum payable by the Qingdao Group will be settled pursuant to the payment terms as set out in each of the Individual Contracts in accordance with usual market practices and payment terms of similar projects.

To the best of the knowledge and belief of the Directors and in accordance with usual market practices, the contract sum is usually settled in stages based on the actual progress of the project to be further delineated in the Individual Contracts.

Revised Annual Caps: The annual caps for the Supplemental Construction Services Framework Agreement for the three years ending 31 December 2021, 2022 and 2023 are to be revised to or set at HK\$1,846,000,000, HK\$3,164,000,000 and HK\$4,746,000,000, respectively.

Conditions precedent: The passing of the proposed resolution by the Independent Shareholders at the EGM approving the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder, including the Revised Annual Caps.

HISTORICAL TRANSACTION AMOUNTS

Set out below are the historical transaction amounts between the Group and the Qingdao Group under the Construction Services Framework Agreement for the year ended 31 December 2020 and the four months ended 30 April 2021 and the existing annual caps under the Construction Services Framework Agreement:

	For the year ended 31 December 2020	1 January 2021 to 30 April 2021	1 January 2022 to 31 December 2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
The revenue from transactions under the Construction Services Framework Agreement recorded by the Group	633,720,000	264,134,000 (unaudited)	N/A
Existing annual cap	900,000,000	1,350,000,000	1,850,000,000

As at 30 April 2021, the revenue from transactions under the Construction Services Framework Agreement recorded by the Group for the year ending 31 December 2021 was approximately HK\$264,134,000, which accounted for approximately 19.6% of the existing annual cap for the year ending 31 December 2021. The Group has been and will continue to closely

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monitor the transaction amounts under the Construction Services Framework Agreement and ensure that the transaction amounts under the Construction Services Framework Agreement will not exceed the existing annual cap for the year ending 31 December 2021.

REVISED ANNUAL CAPS

Set out below are the Revised Annual Caps for the transactions contemplated under the Supplemental Construction Services Framework Agreement for the three years ending 31 December 2021, 2022 and 2023:

	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022	1 January 2023 to 31 December 2023
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Revised Annual Caps	1,846,000,000	3,164,000,000	4,746,000,000

The Revised Annual Caps were determined with reference to the estimated revenue to be derived from construction contracts that have been entered into, and that may be entered into between the Group and the Qingdao Group during the three years ending 31 December 2021, 2022 and 2023, taking into account the following factors:

1. the actual transaction amounts under the Construction Services Framework Agreement for the year ended 31 December 2020 and for the four months ended 30 April 2021;
2. the Landong Construction Contracts with a total contract sum of approximately RMB538.9 million entered into between Dongjie Construction and Qingdao Xifa Real Estate Company Limited* (青島西發置業有限公司) on 13 February 2020, under which, the Group is expected to derive revenue of approximately RMB211.1 million (equivalent to approximately HK\$248.4 million) during the year ending 31 December 2021;
3. the Lanxi Construction Contracts with a total contract sum of approximately RMB486.1 million entered into between Dongjie Construction and Qingdao West Coast New Area Development Company Limited* (青島西海岸新區開發建設有限公司) on 13 February 2020, under which, the Group is expected to derive revenue of approximately RMB229.4 million (equivalent to approximately HK\$269.8 million) during the year ending 31 December 2021;
4. other projects from the Qingdao Group that have already commenced or been awarded to the Group as at the date of the Supplemental Construction Services Framework Agreement with an estimated total contract sum of approximately RMB2,049.5 million, which are expected to generate revenue of approximately RMB739.6 million, RMB810.4 million and RMB490.6 million (equivalent to approximately HK\$870.1 million, HK\$953.4 million and HK\$577.2 million) for each of the three years ending 31 December 2021, 2022 and 2023 respectively;

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5. not less than seven tenders with an estimated total contract sum of approximately RMB1,543.2 million expected to be submitted by the Group to the Qingdao Group during the year ending 31 December 2021 and the expected tenders to be submitted with estimated contract value of RMB4,500.0 million and RMB6,000.0 million for each of the two years ending 31 December 2022 and 2023, under which, if the relevant contracts are granted to the Group, the Group is expected to derive revenue of approximately RMB389.3 million, RMB1,879.0 million and RMB3,543.6 million (equivalent to approximately HK\$458.0 million, HK\$2,210.6 million and HK\$4,168.9 million) during the period from the date of the Supplemental Construction Services Framework Agreement to 31 December 2021 and the two years ending 31 December 2022 and 2023, respectively;
6. the expected increase in the number and total contract sum of new construction projects of the Qingdao Group which may be recognised as revenue by the Group during the two years ending 31 December 2022 and 2023 in light of the Qingdao Group's acquisition and expansion plan such as obtaining a controlling equity interest in 青島澳柯瑪控股集團有限公司 (Qingdao Aucma Holding Group Co., Ltd.*), a company listed on the Shanghai Stock Exchange, in March 2021, as well as its strategic cooperation plan with key partners which include a major listed property developer based in the PRC; and
7. the completion of the Group's acquisition of equity interest in Qingdao Honghai in January 2021 enabling the Group to leverage the expertise and experience of Qingdao Honghai in curtain wall construction works which has enhanced its service offerings and competitiveness in the general construction market in the PRC and has contributed to the Group's winning in the tenders of general construction contracts which required the qualification and licence of curtain wall construction works.

The Board (including the independent non-executive Directors) is of the opinion that the terms of the Supplemental Construction Services Framework Agreement (including but not limited to the Revised 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.

INFORMATION ABOUT THE COMPANIES

The Company

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of marine and general construction services and auxiliary marine related services.

LETTER FROM THE BOARD

Qingdao West Coast Group

Qingdao West Coast Group is the ultimate holding company of the Company and a state-owned enterprise wholly-owned by the State-owned Asset Supervision and Administration Commission of Qingdao. It principally engages in infrastructure construction, land development, real estate development and other industrial investment and operations (including cultural, tourism and financial services).

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% equity interests in Dongjie Construction, which principally engages in construction projects in the PRC, including but not limited to general contracting of building construction, building foundation, garden greening projects, garden landscape projects, cultural relic protection projects, real estate development business, building materials wholesale, building demolition, pipeline engineering (excluding pressure piping), road construction, water conservancy and hydropower project construction, power engineering construction, municipal utilities engineering construction, mechanical and electrical engineering construction, lifting equipment installation projects, fire control facilities engineering, waterproof anticorrosion insulation works, steel structure engineering, and building mechanical and electrical installation.

REASONS FOR ENTERING INTO THE SUPPLEMENTAL CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

The Directors anticipated that the transaction amounts to be received from the Qingdao Group under the Construction Services Framework Agreement will exceed the existing annual caps for transactions contemplated under the Construction Services Framework Agreement for the two years ending 31 December 2021 and 2022, and considered that it is in the interest of the Company to enter into the Supplemental Construction Services Framework Agreement to avoid any undue delay in participating in tenders for construction projects of the Qingdao Group.

The Directors (including the independent non-executive Directors whose views are set out in the letter from Independent Board Committee in this circular) consider that the Supplemental Construction Services Framework Agreement (including but not limited to the Revised Annual Caps) and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are on normal commercial terms, and that the terms of the Supplemental Construction Services Framework Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INTERNAL CONTROL PROCEDURES

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

- (i) based on the nature of work and terms listed out in the tender invitation documents, the tender department and project department will prepare tentative construction plan and timetable;
- (ii) the tender department and contract department of the Company will compare the prices and terms with other construction projects of similar nature and scale entered into and/or tenders and/or quotations submitted by the Group with/to Independent Third Parties, or compare the prices and terms with the market prices or benchmarks for transactions of similar nature, in order to ensure that the fees charged by the Group are fair and reasonable and no less favourable to the Group than those offered to Independent Third Parties;
- (iii) the tender department is required to obtain confirmation from the finance department before submitting the tender to the Qingdao Group. The tender department and project department together will prepare a revenue forecast according to the estimated contract sum, construction plan, contract period and payment terms of each potential construction project (the “**Revenue Forecast**”), and analyse the same in conjunction with the revenue forecast of the Company’s projects on hand, to ensure that the estimated revenue to be generated from projects granted by the Qingdao Group, including the potential project, will not exceed the Revised Annual Caps;
- (iv) after the tender has been awarded, the contract department will start preparing/reviewing the Individual Contract. The project department and finance department will review and modify (if needed) the construction plan and Revenue Forecast according to the Individual Contract, and upon confirmation from both departments, the contract department will submit the Individual Contract together with the updated construction plan and Revenue Forecast to the executive Directors for final review and approval before execution;
- (v) the project department will prepare monthly progress report for each of their construction projects, and submit the same to the executive Directors and the finance department for review. The project department shall alert the executive Directors if they notice or foresee any significant change in progress and amount of work which may lead to the Revised Annual Caps being exceeded in the future;
- (vi) the finance department will closely monitor and record the actual transaction amounts of the continuing connected transactions under the Construction Services Framework Agreement, and submit monthly reports to the executive Directors for review, to ensure that the Revised Annual Caps will not be exceeded;

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- (vii) the Company's auditor will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually and confirm whether (a) the transactions under the Construction Services Framework Agreement have been approved by the Board; (b) the transactions were entered into in accordance with the Construction Services Framework Agreement; and (c) the Revised Annual Caps have not been exceeded; and
- (viii) the independent non-executive Directors will perform annual reviews (which are subject to the annual review and disclosure requirements under the Listing Rules) to confirm the transactions under the Construction Services Framework Agreement are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Construction Services Framework Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board believes that the above internal control procedures are appropriate and can ensure that the transactions are carried out in accordance with the Construction Services Framework Agreement and the prices charged by the Company will not be less favourable than those charged under transactions with Independent Third Parties.

FUTURE PLAN AND UPDATE ON THE ON-GOING AND POTENTIAL PROJECTS OF THE GROUP

The Directors confirm that the Company will continue to operate and develop its general construction business and marine construction and vessel leasing businesses at the same time, and has not entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether expressed or implied, or any negotiation (whether concluded or not), and has no intention, to dispose of or downsize its marine construction and vessel leasing businesses.

Owing to the Company's acquisition of 80.0% equity interests in Dongjie Construction in January 2020 and 34.0% equity interest in Qingdao Honghai in January 2021, the Company has been in possession of the key licences and qualifications which are vital for engaging in the general construction industry in the PRC, including the grade one general construction contractor qualification and the grade two construction and decoration engineering contractor qualification held by Dongjie Construction, and the grade one professional contractor qualification in curtain wall construction works and the grade three professional contractor qualification in steel structure construction works held by Qingdao Honghai.

LETTER FROM THE BOARD

The Company has been able to participate in general construction projects such as the Landong Construction Contracts and the Lanxi Construction Contracts in light of its qualifications and experience in the general construction industry. It is the Directors' belief that the Company will continue to enjoy the synergy by taking up more business opportunities in the construction industry with its qualifications and experience in the general construction industry. In addition, the Company has been continuously seeking opportunities to participate in construction projects and expects that by building up a presence in the general construction industry, it can simultaneously extend its reach into, and enhance its competitiveness in bidding for, construction projects that involve both general and marine construction works. In particular, the addition of the qualifications and industry experiences in the general construction industry will enable the Group to bid for construction projects as the Engineering, Procurement and Construction main contractor which require qualifications of both marine construction and general construction projects, instead of only bidding for the marine construction element of the projects, as a subcontractor tagging along with the main contractors. In light of the above, the Directors are of the view that the Group's qualifications and capabilities in the general construction industry and the marine construction industry, collectively, will bring further synergies to the Group and benefit the Group's financial performance as a whole.

As at the Latest Practicable Date, the Group has (i) over 13 on-going marine construction projects with a total contract value of approximately HK\$2,272.4 million; (ii) seven large scale potential marine construction projects with a total estimated contract value of approximately HK\$1,934.6 million which are under bidding or negotiation; (iii) 14 on-going general construction projects with a total contract value of approximately HK\$3,655.1 million which are related to the Qingdao Group; (iv) three potential general construction projects with total estimated contract value of HK\$550.5 million currently under bidding and further projects with a total estimated contract value of HK\$1,176.5 million expected to be launched for tendering in the year ending 31 December 2021, which are related to the Qingdao Group; and (v) over 30 on-going general construction projects with a total estimated contract value of approximately HK\$946.8 million from third parties.

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Set out below are the details and status of the Group's on-going marine construction projects as at the Latest Practicable Date:

Customer	Background of customer	Length of relationship with the Group	Project nature	Project location	Estimated contract/ construction period	Estimated total contract value <i>HK\$ million</i>	Service fees charging basis	Status as at the Latest Practicable Date
A	Customer A is controlled by the Changjiang Management Department of the Ministry of Transport of the PRC* (中國交通運輸部長江航務管理局), mainly responsible for the planning, construction, operation, and maintenance of a main channel in Changjiang located in the PRC	4 years	Marine construction	Macao	21 months	487.5	According to the project stages or progress indicators depending on the category of work	Expecting completion by end of 2021
B	Customer B is a construction enterprise located in Fujian Province of the PRC, and primarily engages in municipal public works, housing construction, highway engineering and hydraulic and hydro-power works	4 years	Marine construction	Macao	21 months	248.0	According to the project stages or progress indicators depending on the category of work	Expecting completion by end of 2021
C	Customer C is a comprehensive investment and construction group located in the PRC, and mainly engages in marine construction and municipal construction works	9 years	Marine construction	Vietnam	24 months	269.7	According to the project stages or progress indicators depending on the category of work	Expecting completion by third quarter of 2021
D	Customer D is a public power supply agency specialising in the transmission, distribution and sale of high, medium and low voltage electricity in Macao	5 years	Marine construction	Macao	36 months	664.9	According to the project stages or progress indicators depending on the category of work	Expecting completion by end of 2021

LETTER FROM THE BOARD

Customer	Background of customer	Length of relationship with the Group	Project nature	Project location	Estimated contract/ construction period	Estimated total contract value <i>HK\$ million</i>	Service fees charging basis	Status as at the Latest Practicable Date
E	Customer E is a Macao SAR government department	New	Marine construction	Macao	36 months	54.5	According to the project stages or progress indicators depending on the category of work	Expecting completion by end of 2021
F	Customer F is a construction services provider established in Macao SAR engaged in buildings and infrastructure construction	1 year	Marine construction	Macao	24 months	29.2	According to the project stages or progress indicators depending on the category of work	Close to completion
G	Customer G is a joint venture between three sizeable construction companies from the PRC and Macao	5 years	Marine construction	Macao	36 months	33.1	According to the project stages or progress indicators depending on the category of work	Expecting completion by end of 2022
		5 years	Marine construction	Macao	36 months	114.1	According to the project stages or progress indicators depending on the category of work	Expecting completion by third quarter of 2023
H	Customer H is a Hong Kong SAR government department	2 years	Marine construction	Hong Kong	28 months	116.0	According to the project stages or progress indicators depending on the category of work	Expecting completion by second quarter of 2023
I	Customer I is a subsidiary of a PRC state-owned offshore oil exploration and development company	2 years	Marine construction	Hong Kong	8 months	166.5	According to the project stages or progress indicators depending on the category of work	Expecting completion by second quarter of 2022
J	Customer J is a joint venture between two major construction services companies in Hong Kong	5 years	Marine construction	Hong Kong	6 months	24.6	According to the project stages or progress indicators depending on the category of work	Expecting completion by second quarter of 2022

LETTER FROM THE BOARD

Customer	Background of customer	Length of relationship with the Group	Project nature	Project location	Estimated contract/ construction period	Estimated total contract value <i>HK\$ million</i>	Service fees charging basis	Status as at the Latest Practicable Date
K	Customer K is the local operation of a comprehensive investment and construction group from the PRC which mainly engages in marine construction and municipal construction works	6 years	Marine construction	Indonesia	6 months or less	23.1	According to the project stages or progress indicators depending on the category of work	Expecting completion by second quarter of 2022
L	Customer L is the local operation of a PRC state-owned electric energy services operator	1 year	Marine construction	Pakistan	8 months	22.0	According to the project stages or progress indicators depending on the category of work	Expecting completion by end of 2021
	Other smaller projects in Hong Kong and overseas					19.2	According to the project stages or progress indicators depending on the category of work	
Total						<u>2,272.4</u>		

LETTER FROM THE BOARD

Set out below are the details and status of the Group's on-going general construction projects as at the Latest Practicable Date:

Customer	Background of customer	Length of relationship with the Group	Project nature	Project location	Estimated contract/ construction period	Estimated total contract value	Service fees charging basis	Status as at the Latest Practicable Date
						<i>HK\$ million</i>		
Continuing connected transactions								
The Qingdao Group	The Qingdao Group is a state-owned enterprise wholly-owned by the State-owned Asset Supervision and Administration Commission of Qingdao. It principally engages in infrastructure construction, land development, real estate development and other industrial investment and operations (including cultural, tourism and financial services)	A controlling shareholder of the Company since August 2018	General construction	Qingdao, PRC	18 months	581.7	According to the project stages or progress indicators depending on the category of work	Expecting completion by third quarter of 2021
			General construction	Qingdao, PRC	18 months	524.7	According to the project stages or progress indicators depending on the category of work	Expecting completion by fourth quarter of 2021
			General construction	Qingdao, PRC	14 months	316.2	According to the project stages or progress indicators depending on the category of work	Expecting completion by third quarter of 2021
			General construction	Qingdao, PRC	18 months	215.2	According to the project stages or progress indicators depending on the category of work	Expecting completion by fourth quarter of 2021
			General construction	Qingdao, PRC	12 months	99.7	According to the project stages or progress indicators depending on the category of work	Expecting completion by third quarter of 2021
			General construction	Qingdao, PRC	16 months	24.2	According to the project stages or progress indicators depending on the category of work	Expecting completion by fourth quarter of 2022
			General construction	Qingdao, PRC	21 months	18.3	According to the project stages or progress indicators depending on the category of work	Expecting completion by fourth quarter of 2022

LETTER FROM THE BOARD

Customer	Background of customer	Length of relationship with the Group	Project nature	Project location	Estimated contract/ construction period	Estimated total contract value <i>HK\$ million</i>	Service fees charging basis	Status as at the Latest Practicable Date
			General construction	Qingdao, PRC	23 months	19.9	According to the project stages or progress indicators depending on the category of work	Expecting completion by third quarter of 2022
			General construction	Qingdao, PRC	8 months	21.4	According to the project stages or progress indicators depending on the category of work	Expecting completion by fourth quarter of 2021
			General construction	Qingdao, PRC	4 months	88.5	According to the project stages or progress indicators depending on the category of work	Expecting completion by third quarter of 2021
			General construction	Qingdao, PRC	4 months	59.0	According to the project stages or progress indicators depending on the category of work	Close to completion
			General construction	Qingdao, PRC	40 months	1,098.2	According to the project stages or progress indicators depending on the category of work	Expecting completion by second quarter of 2024
			General construction	Qingdao, PRC	27 months	372.2	According to the project stages or progress indicators depending on the category of work	Expecting completion by second quarter of 2023
			General construction	Qingdao, PRC	36 months	215.9	According to the project stages or progress indicators depending on the category of work	Expecting completion by first quarter of 2024
						Total	<u>3,655.1</u>	

LETTER FROM THE BOARD

Customer	Background of customer	Length of relationship with the Group	Project nature	Project location	Estimated contract/ construction period	Estimated total contract value	Service fees charging basis	Status as at the Latest Practicable Date
Third party projects								
M	One of the top 20 real estate developers in Qingdao, principally engaged in residential building development	8 years	General construction	Qingdao, PRC	22 months	148.4	According to the project stages or progress indicators depending on the category of work	Expecting completion by third quarter of 2023
N	A comprehensive urban area developer operator in Qingdao, ranked amongst the top 10 in terms of real estate sales record for five consecutive years	New	General construction	Qingdao, PRC	40 months	266.4	According to the project stages or progress indicators depending on the category of work	Commencement stage, expecting completion by third quarter of 2024
N/A	Numerous (30–40 number of) smaller curtain wall and renovation projects					532.0		
						Total	<u>946.8</u>	

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Qingdao West Coast Group 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 Qingdao Group is therefore a connected person of the Company and the transactions contemplated under the Supplemental Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Based on the Revised Annual Caps, the annual consideration to be payable by the Qingdao Group to the Group exceeds HK\$10,000,000 and is more than 5% of the applicable ratios under the Listing Rules. Therefore, the transactions contemplated under the Supplemental Construction Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wang Xuejun, Mr. Yang Zhenshan, Mr. Jiang Shuang and Mr. Yang Honghai, each being an executive Director, have abstained from voting on the relevant board resolutions of the Company. Qingdao West Coast Holdings (Internation) Limited, a controlling shareholder of the Company directly holding 62.25% of the issued share capital of the Company and an indirect wholly-owned subsidiary of Qingdao West Coast Group, will be required to abstain from voting on the shareholders' resolution of the Company at the EGM. Save as disclosed above, no Shareholder

LETTER FROM THE BOARD

has a material interest in the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder who is required to abstain from voting on the resolution at the EGM.

EGM

Set out on pages EGM-1 to EGM-3 is a notice convening the EGM to be held at Unit Nos. 04–05 on 5th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong on Tuesday, 20 July 2021 at 10:00 a.m., at which the resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder, including the Revised Annual Caps.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

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 Level 54, Hopewell Centre, 183 Queen's Road East, 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 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.

In order to qualify for the right to attend and vote at the EGM or any adjournment thereof, all transfer documents 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 14 July 2021.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises Mr. Cheung Chi Man Dennis, Mr. Wang Yaping and Mr. Cheng Xuezhao, all being the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Supplemental Construction Services Framework Agreement (including but not limited to the Revised Annual Caps) and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Red Sun Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Construction Services Framework Agreement (including but not limited to the Revised Annual Caps) and the transactions contemplated thereunder.

The Independent Board Committee and the Directors, having taken into account the advice of the Independent Financial Adviser, considered that the Supplemental Construction Services Framework Agreement was entered into on normal commercial terms and that the terms of the Supplemental Construction Services Framework Agreement (including but not limited to the Revised Annual Caps) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Group so far as the Independent 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 Supplemental Construction Services Framework Agreement (including but not limited to the Revised Annual Caps) and the transactions contemplated thereunder.

The text of the letter from the Independent Board Committee is set out on page 24 and 25 of this circular and the full text of the letter from the Independent Financial Adviser containing its advice is set out on pages 26 to 48 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 Supplemental Construction Services Framework Agreement (including but not limited to the Revised Annual Caps) and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Independent 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 24 and 25 of this circular which contains its views in relation to the Supplemental Construction Services Framework Agreement (including but not limited to the Revised 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 Supplemental Construction Services Framework Agreement (including but not limited to the Revised 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 26 to 48 of this circular.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in (i) the letter from the Independent Board Committee; (ii) the letter of advice from the Independent Financial Adviser; and (iii) the appendix to this circular.

Yours faithfully
On behalf of the Board
Prosper Construction Holdings Limited
Jiang Shuang
Executive Director



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)

30 June 2021

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 30 June 2021 (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 Supplemental Construction Services Framework Agreement (including but not limited to the Revised 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 26 to 48 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 23 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms of the Supplemental 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 Supplemental Construction Services Framework Agreement (including but not limited to the Revised Annual Caps) and the transactions contemplated thereunder are on normal commercial terms and the terms of the Supplemental Construction Services Framework Agreement (including but not limited to the Revised 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 Supplemental Construction Services Framework Agreement (including but not limited to the Revised 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Supplemental Construction Services Framework Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder for inclusion in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower, Shun
Tak Centre, 168–200 Connaught Road
Central, Hong Kong
Tel: (852) 2857 9208
Fax: (852) 2857 9100

30 June 2021

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

Dear Sirs,

REVISION OF THE EXISTING ANNUAL CAPS REGARDING THE CONTINUING CONNECTED TRANSACTIONS

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 Supplemental Construction Services Framework Agreement, the transactions contemplated thereunder and the Revised Annual Caps which constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules (the “**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 30 June 2021, 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.

Supplemental Construction Services Framework Agreement

According to the recent review by the Board on the transactions under the Construction Services Framework Agreement, which took into consideration (i) the transactions between the Group and the Qingdao Group for the four months ended 30 April 2021; and (ii) the expected progress of and revenue from projects already awarded or currently under bidding from the Qingdao Group, the annual cap of the Construction Services Framework Agreement for the year ending 31 December 2021 is expected to be fully utilised by or around August 2021. Therefore, the Supplemental Construction Services Framework Agreement was entered into on 3 June 2021. The

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revised Annual Caps under the Supplemental Construction Services Framework Agreement shall be HK\$1,846 million, HK\$3,164 million and HK\$4,746 million for three years ended 31 December 2021, 2022 and 31 December 2023, respectively.

II. IMPLICATIONS ON THE LISTING RULES

As at the Latest Practicable Date, Qingdao West Coast Group 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 Qingdao Group is therefore a connected person of the Company and the transactions contemplated under the Supplemental Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Mr. Wang Xuejun, Mr. Yang Zhenshan, Mr. Jiang Shuang and Mr. Yang Honghai, each an executive Director, have abstained from voting on the relevant board resolutions of the Company. Qingdao West Coast Holdings (Internation) Limited, a controlling shareholder of the Company directly holding 62.25% of the issued share capital of the Company and an indirect wholly-owned subsidiary of Qingdao West Coast Group, will be required to abstain from voting on the relevant shareholders' resolution of the Company at the EGM.

III. THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. Wang Xuejun as executive Director and chairman, Mr. Cui Qi as executive Director and chief executive officer, Mr. Ding Hongbin as executive Director and chief operating officer, Mr. Yang Zhenshan, Mr. Jiang Shuang and Mr. Yang Honghai 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 Transactions together with the Revised 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, such that he or she or it shall abstain from voting at the EGM on the resolution to approve the Transactions.

The Independent Board Committee comprising all the aforementioned independent non-executive Directors has been formed to advise the Independent Shareholders as to whether (i) the terms of the Transactions, including the Revised Annual Caps, are fair and reasonable; (ii) the Transactions are on normal commercial terms and in the ordinary and usual course of the business of the Group; (iii) the Transactions 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.

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 Transactions, for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IV. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, the Qingdao 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 Transactions. In the previous two years, save for our appointment as the independent financial adviser to the Company in relation to (i) the connected transactions in relation to the construction contracts and renewal of continuing connected transactions in relation to the 2017 vessel chartering framework agreement, details of which are disclosed in the circular dated 13 March 2020; and (ii) the continuing connected transactions in relation to the construction services framework agreement, details of which are disclosed in the circular dated 8 June 2020, 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 Qingdao 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 Qingdao Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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 Qingdao 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 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 TRANSACTIONS

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the terms of the 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 Group is principally engaged in the provision of marine and general construction services and ancillary marine related services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of the Group's operating results

Set out below is 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 2020 (the “**2020 Annual Report**”); and (ii) the audited consolidated statement of comprehensive income as extracted from the annual report of the Group for the year ended 31 December 2019 (the “**2019 Annual Report**”):

	For the year ended 31 December		
	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Revenue			
Rendering of services			
— Marine construction works	470,773	308,368	134,510
— Provision of auxiliary marine related services	257,402	206,709	250,066
— Provision of general construction contracting services	<u>737,521</u>	<u>—</u>	<u>—</u>
Total revenue	1,465,696	515,077	384,576
Gross profit	86,625	49,846	71,300
Profit for the year attributable to equity holders of the Company	13,591	12,088	30,415

Financial results for the year ended 31 December 2020 compared to the year ended 31 December 2019

As disclosed in the 2020 Annual Report, the Group recorded total revenue of approximately HK\$1,465.7 million for the year ended 31 December 2020, representing an increase of approximately 184.5% or HK\$950.6 million as compared to the total revenue of approximately HK\$515.1 million for the year ended 31 December 2019. Such increase in revenue was mainly due to the acquisition of a subsidiary principally engaged in general construction contracting business in the PRC and the commencement of two key projects in Qingdao undertaken by the Group in 2020.

Gross profit of the Group increased by approximately HK\$36.8 million or 73.9% from approximately HK\$49.8 million for the year ended 31 December 2019 to approximately HK\$86.6 million for the year ended 31 December 2020, whereas the gross profit margin decreased to 5.9% for the year ended 31 December 2020 from 9.7% for the year ended 31 December 2019. The decrease in gross profit margin was mainly

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

due to the commencement of the general construction contracting business which required a high proportion of subcontracting works and therefore yielded a relatively lower profit margin as compared to marine construction business.

Profit for the year attributable to equity holders of the Company increased by approximately HK\$1.5 million or 12.4% from approximately HK\$12.1 million for the year ended 31 December 2019 to approximately HK\$13.6 million for the year ended 31 December 2020. Such increase was mainly attributable to the combined effect of (i) the increase in revenue and gross profit; (ii) the change in revenue mix; (iii) reversal of impairment losses on financial assets; and (iv) the increase in income tax expenses.

Financial results for the year ended 31 December 2019 compared to the year ended 31 December 2018

As disclosed in the 2019 Annual Report, the Group recorded total revenue of approximately HK\$515.1 million for the year ended 31 December 2019, representing an increase of approximately 33.9% or HK\$130.5 million as compared to the total revenue of approximately HK\$384.6 million for the year ended 31 December 2018. Such increase was mainly due to the growth in marine construction activities in the Macao market.

Gross profit of the Group decreased by approximately HK\$21.5 million or 30.2% from approximately HK\$71.3 million for the year ended 31 December 2018 to approximately HK\$49.8 million for the year ended 31 December 2019, which was mainly attributable to (i) a comparatively higher proportion of the Group's revenue in the year ended 31 December 2019 generated from marine construction works, which generally yields a lower profit margin as more direct costs are required as compared to the provision of auxiliary marine related services; (ii) additional re-positioning costs incurred following the completion of various projects in Pakistan during the year ended 31 December 2019; and (iii) additional costs incurred for and the decrease in profit margin of marine construction projects, primarily due to the delay in progress in the Group's projects in Macao.

Profit for the year attributable to equity holders of the Company decreased by approximately HK\$18.3 million or 60.2% from approximately HK\$30.4 million for the year ended 31 December 2018 to approximately HK\$12.1 million for the year ended 31 December 2019. Such decrease was mainly attributable to the combined effect of (i) the change in revenue mix; (ii) the decline in gross profit margin and gross profit; and (iii) the rise in foreign exchange loss, which were partially offset by the decrease in impairment losses on financial assets and other administrative expenses and the net income tax credit recorded for the year ended December 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of consolidated balance sheets of the Group

	As at 31 December		
	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Total assets	1,753,830	928,427	819,353
Total liabilities	1,198,958	411,425	319,673
Total equity attributable to owners of the Company	<u>535,192</u>	<u>517,002</u>	<u>499,680</u>

Comparison of financial position as at 31 December 2020 and 2019

As at 31 December 2020, the Group's total assets increased to approximately HK\$1,753.8 million from approximately HK\$928.4 million as at 31 December 2019, which was mainly attributable to (i) the increase in trade and retention receivables of approximately HK\$158.4 million; and (ii) the increase in contract assets of approximately HK\$545.1 million. It was also noted that the Group's total liabilities increased to approximately HK\$1,199.0 million as at 31 December 2020 from approximately HK\$411.4 million as at 31 December 2019, which was mainly attributable to (i) the increase in trade and retention payables of approximately HK\$598.2 million; and (ii) the increase in borrowings of approximately HK\$210.4 million. As a result of the above, the total equity attributable to equity holders of the Company increased slightly from approximately HK\$517.0 million as at 31 December 2019 to approximately HK\$535.2 million as at 31 December 2020.

Comparison of financial position as at 31 December 2019 and 31 December 2018

As at 31 December 2019, the Group's total assets increased to approximately HK\$928.4 million from approximately HK\$819.4 million as at 31 December 2018, which was mainly attributable to the increase in cash and cash equivalents of approximately HK\$229.5 million. It was also noted that the Group's total liabilities increased to approximately HK\$411.4 million as at 31 December 2019 from approximately HK\$319.7 million as at 31 December 2018, which was mainly attributable to a loan from an intermediate holding company of approximately HK\$100.0 million. As a result of the above, the total equity attributable to equity holders of the Company increased slightly from approximately HK\$499.7 million as at 31 December 2018 to approximately HK\$517.0 million as at 31 December 2019.

2. Background information on Qingdao West Coast Group and West Coast Development HK

Qingdao West Coast Group

Qingdao West Coast Group is the ultimate holding company of the Company and a state-owned enterprise wholly-owned by the State-owned Asset Supervision and Administration Commission of Qingdao. It principally engages in infrastructure construction, land development, real estate development and other industrial investment and operations (including cultural, tourism and financial services).

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 principally engages in construction projects in the PRC, including but not limited to general contracting of building construction, building foundation, garden greening projects, garden landscape projects, cultural relic protection projects, real estate development business, building materials wholesale, building demolition, pipeline engineering (excluding pressure piping), road construction, water conservancy and hydropower project construction, power engineering construction, municipal utilities engineering construction, mechanical and electrical engineering construction, lifting equipment installation projects, fire control facilities engineering, waterproof anticorrosion 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 information published on the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>), year-on-year growth in gross domestic product (“GDP”) for the PRC in 2020 was approximately 2.3% (2019: 6.0%). Given the ongoing development and impact of the COVID-19 outbreak, which is expected to be temporary in nature, the GDP growth of the PRC for 2020 was lower than the growth in 2019. Nonetheless, despite the short-term challenging environment, the PRC economy achieved positive growth for 2020.

In the past, the PRC government has promoted urbanisation in the PRC through, among others, (i) accelerating the agricultural population urbanisation (加快農業轉移人口市民化) by implementing three main strategies, namely further reform of the household registration system* (深化戶籍制度改革), implementation of the residence permit system* (實施居住證制度) and improvement on the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii)

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optimising urbanisation layout* (優化城鎮化佈局和形態) by implementing three main strategies, namely the acceleration of the construction and advancement of urban agglomeration* (加快城市群建設發展), enhance the drive of activities by central cities* (增強中心城市輻射帶動功能) and speeding up of the development of small and medium-sized cities and characteristic towns* (加快發展中小城市和特色鎮).

Furthermore, based on publication¹ by the PRC government in relation to the Fourteenth Five Year Plan* (十四五規劃), 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 strategic 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).

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, it is expected that the increase in urbanisation rate in the PRC and continuous development of the PRC economy shall continue to drive growth for the PRC construction industry.

Shandong province

The table below shows a summary of major financial and production indicators of Shandong province's construction industry from 2016 to 2020:

	2016	2017	2018	2019	2020
Total gross output value of construction enterprises (RMB billions)	1,008.7	1,147.8	1,289.8	1,426.9	1,494.7
YoY increase in total gross output value of construction enterprises	7.5%	13.8%	12.4%	10.6%	4.8%
State-owned gross output value of construction enterprises (RMB billions)	256.5	293.6	365.7	428.8	482.4
YoY increase in state-owned gross output value of construction enterprises	10.4%	14.5%	24.6%	17.3%	12.5%

Source: Shandong Provincial Bureau of Statistics

¹ Publication of the State Council of the PRC titled “中共中央關於制定國民經濟和社會發展第十四個五年規劃和二零三五年遠景目標的建議” (Source: www.gov.cn/zhengce/2020-11/03/content_5556991.htm)

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As set out in the above table, both total gross output value of construction enterprises and state-owned gross output value of construction enterprises increased significantly from approximately RMB1,008.7 billion and RMB256.5 billion in 2016, respectively, to approximately RMB1,494.7 billion and RMB482.4 billion in 2020, respectively. Such increases were attributable to, among other factors, various domestic policies implemented by Shandong Provincial People's Government* (山東省人民政府) to stimulate growth in domestic heavy industry and to support private enterprises, details of which were disclosed in Opinions from the Shandong Provincial People's Government on Accelerating the Development of the Domestic Private Economy, 2014, No. 15* (山東省人民政府關於加快全省民營經濟發展的意見[2014]15號). In addition to the aforementioned policy, Sixteen Opinions from the General Office of the Shandong Provincial People's Government on Further Accelerating the Reform and Development of the Construction Industry, 2019, No. 53* (山東省人民政府辦公廳關於進一步促進建築業改革發展的十六條意見[2019]53號) has been published under the guidance of 19th National Congress of the Communist Party of the PRC* (中共十九大). Hence, the Management is of the view that the governmental policies will continue to enhance and support the business development in Qingdao as a whole.

VII. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Principal terms of the Supplemental Construction Services Framework Agreement

Date: 3 June 2021

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

Subject matter: The Group will provide construction services to the Qingdao Group and may therefore participate in tenders for construction projects of the Qingdao Group in the PRC from time to time. If any tenders submitted by the Group have been awarded in accordance with the tendering procedures of the Qingdao Group, the Group shall enter into the Individual Contracts with the Qingdao Group for the provision of construction services as the contractor subject to terms and conditions of the Supplemental Construction Services Framework Agreement at fair and reasonable market prices.

Term: For the period commencing from the Effective Date until 31 December 2023.

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- Pricing:** The contract sum payable under each of the Individual Contracts will be determined through an open tender process to ensure that price and terms of the tender submitted by the Group are on normal commercial terms and no more favourable than those submitted to Independent Third Parties, or the market prices or benchmarks for transactions of similar nature. In determining the pricing terms, the Group will take into account factors including but not limited to the types of construction works, technical requirements, risks, expected completion time, quantity specifications, labour costs, machinery and equipment costs, management fees, safety and civilized construction fees and the applicable tax rates for construction works in the PRC. The Group will take into account not less than three quotations from its suppliers and/or sub-contractors for the costing of each construction project. In addition, the Group will take into account the unit price for each type of construction work with reference to the standards and guidance on the relevant rates and fees published by the authorities such as 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 issued by industry associations such as Qingdao Engineering Construction Standard & Cost Association* (青島市工程建設標準造價協會). Each of the final contract sums shall be finalised after the completion of the construction project, subject to further price adjustments to be made in accordance with the terms of adjustment as adopted by the parties under each of the Individual Contracts.
- Payment terms:** The contract sum payable by the Qingdao Group will be settled pursuant to the payment terms as set out in each of the Individual Contracts in accordance with usual market practices and payment terms of similar projects.
- To the best of the knowledge and belief of the Directors and in accordance with usual market practices, the contract sum is usually 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 proposed resolution by the Independent Shareholders at the EGM to approve the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder, including the Revised Annual Caps.

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Further details of the principal terms of the Supplemental Construction Services Framework Agreement are set out in the Letter from the Board.

2. Reasons for and benefits of entering into the Supplemental Construction Services Framework Agreement

As disclosed in the Letter from the Board, the Directors anticipated that the transaction amounts to be received from the Qingdao Group under the Construction Services Framework Agreement will exceed the existing annual caps for transactions contemplated under the Construction Services Framework Agreement for the two years ending 31 December 2021 and 2022, and considered that it is in the interest of the Company to enter into the Supplemental Construction Services Framework Agreement to avoid any undue delay in participating in tenders for construction projects of the Qingdao Group.

Having considered that, (i) the Group is principally engaged in the provision of general construction contracting services since the acquisition of Dongjie Construction in 2020; (ii) Qingdao West Coast Group is principally engaged in infrastructure construction, land development, real estate development and other industrial investment and operations (including cultural, tourism and financial services); (iii) the transactions contemplated under the Supplemental Construction Services Framework Agreement are a furtherance of the Group's construction business in the PRC; (iv) the Revised Annual Caps, if approved, would facilitate the transactions contemplated under the Supplemental Construction Services Framework Agreement for the years ending 31 December 2021, 2022 and 2023 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 tender/compete for the projects from the Qingdao Group at terms determined in accordance with the respective pricing policies, we concur with the Directors' view that the transactions contemplated under the Supplemental 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 Supplemental Construction Services Framework Agreement, the price and terms of the Group's tender documents submitted to the Qingdao Group are subject to the standard tender submission procedures (the "**Standard Tender Submission Procedures**") maintained by the Group, which shall apply to all tenders in relation to the construction projects submitted to both connected persons and independent third parties.

The Standard Tender Submission Procedures, as advised by the Management, typically involve (i) receiving tenders or invitation for quotation notices, followed by the general manager of the tender department reviewing the project scale, and other factors of the projects to prepare the preliminary assessment reports; (ii) initial assessment of projects, which would involve the general manager of the tender department conducting analysis on the project in respect of profit analysis, technical feasibility, competitive environment studies, project

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planning, cost estimation as well as profit estimation, risk assessment, human resources planning, initial cash flow outlay and tender pricing, the aforesaid assessments enable the tender department to have a comprehensive evaluation of the costs and the corresponding profit to be derived from the subject contract; and (iii) preparation of risk control reports based on the initial assessment of projects, and that such risk control reports, which covers price of tender should be authorised by the general manager of the tender department and/or the management of the Group based on the initial assessment of projects and such personnel shall approve tender submission, where appropriate, after taking into account the information available to the Company at the relevant time. As the determination of the tender price shall take into account, among others, the cost estimation as well as profit estimation, the personnel authorising the submission of tender shall ensure the estimated profit margin expected to be derived from the subject contract 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 Tender Submission Procedures, which govern the procedures for evaluating and submitting tenders; and (ii) obtained samples of tender reports for the provision of services as a construction contractor based on the Standard Tender Submission Procedures.

Furthermore, we have obtained and reviewed samples of risk control reports of the Group in relation to the construction projects carried out with both Independent Third Parties and connected persons (the “**Samples**”). We noted that the basis for the determination of pricing did not deviate from the stated pricing policies and applied to both the tenders with Independent Third Parties and connected persons. We also noted from the Samples that the estimated profit margin to be derived from tenders for similar type of contracts carried out for connected persons were in line with those carried out for Independent Third Parties.

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

4. Basis for determining the Revised Annual Caps

As set out in the Letter from the Board, the Revised Annual Caps were determined with reference to the estimated revenue to be derived from construction contracts that have been entered into, and that may be entered into between the Group and the Qingdao Group for the three years ending 31 December 2021, 2022 and 2023, including:

- (i) the actual transaction amounts under the Construction Services Framework Agreement for the year ended 31 December 2020 and for the four months ended 30 April 2021;

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- (ii) the Landong Construction Contracts with a total contract sum of approximately RMB538.9 million entered into between Dongjie Construction and Qingdao Xifa Real Estate Company Limited* (青島西發置業有限公司) on 13 February 2020, under which, the Group is expected to derive revenue of approximately RMB211.1 million (equivalent to approximately HK\$248.4 million) during the year ending 31 December 2021;
- (iii) the Lanxi Construction Contracts with a total contract sum of approximately RMB486.1 million entered into between Dongjie Construction and Qingdao West Coast New Area Development Company Limited* (青島西海岸新區開發建設有限公司) on 13 February 2020, under which, the Group is expected to derive revenue of approximately RMB229.4 million (equivalent to approximately HK\$269.8 million) during the year ending 31 December 2021;
- (iv) other projects from the Qingdao Group that have already commenced or been awarded to the Group as at the date of the Supplemental Construction Services Framework Agreement with an estimated total contract sum of approximately RMB2,049.5 million, which are expected to generate revenue of approximately RMB739.6 million, RMB810.4 million and RMB490.6 million (equivalent to approximately HK\$870.1 million, HK\$953.4 million and HK\$577.2 million) for each of the three years ending 31 December 2021, 2022 and 2023, respectively;
- (v) no less than seven tenders with an estimated total contract sum of approximately RMB1,543.2 million expected to be submitted by the Group to the Qingdao Group during the year ending 31 December 2021 and the expected tenders to be submitted with estimated contract value of RMB4,500.0 million and RMB6,000.0 million for each of the two years ending 31 December 2022 and 2023, respectively, under which, if the relevant contracts are granted to the Group, the Group is expected to derive revenue of approximately RMB389.3 million, RMB1,879.0 million and RMB3,543.6 million (equivalent to approximately HK\$458.0 million, HK\$2,210.6 million and HK\$4,168.9 million) during the period from the date of the Supplemental Construction Services Framework Agreement to 31 December 2021 and the two years ending 31 December 2022 and 2023, respectively;
- (vi) the expected increase in the number and total contract sum of new construction projects of the Qingdao Group which may be recognised as revenue by the Group during the two years ending 31 December 2022 and 2023 in light of the Qingdao Group's acquisition and expansion plan such as obtaining a controlling equity interest in 青島澳柯瑪控股集團有限公司 (Qingdao Aucma Holding Group Co., Ltd.*), a company listed on the Shanghai Stock Exchange, in March 2021, as well as its strategic cooperation plan with key partners which include a major listed property developer based in the PRC; and

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(vii) the completion of the Group's acquisition of equity interest in Qingdao Honghai in January 2021 enabling the Group to leverage the expertise and experience of Qingdao Honghai in curtain wall construction works which has enhanced its service offerings and competitiveness in the general construction market in the PRC and has contributed to the Group's winning in the tenders of general construction contracts which required the qualification and licence of curtain wall projects.

Our analysis on the Revised Annual Caps

The Company estimated that the total transaction amount of the Qingdao Group's construction contracts which may be awarded to member(s) of the Group under the Supplemental Construction Services Framework Agreement for the three years ending 31 December 2021, 2022 and 2023 shall be within the Revised Annual Caps as set out below:

	1 January 2021 to 31 December 2021 HK\$'000	1 January 2022 to 31 December 2022 HK\$'000	1 January 2023 to 31 December 2023 HK\$'000
Revised Annual Caps	1,846,000	3,164,000	4,746,000
	(the "2021 Annual Cap")	(the "2022 Annual Cap")	(the "2023 Annual Cap")

Our work and analysis on the 2021 Annual Cap

The existing annual caps for the total transaction amount was HK\$900 million compared to the actual transaction amount with the Qingdao Group under the Construction Services Framework Agreement for the year ended 31 December 2020 of approximately HK\$633.7 million. On this basis, the utilisation rate of the annual cap for the year ended 31 December 2020 was approximately 70.4%. Based on our discussion with the Management, notwithstanding the relatively high utilisation rate, progress of certain construction projects undertaken by the Group was adversely affected by the then development of the COVID-19 outbreak and/or preventative measures to manage the COVID-19 outbreak at the relevant time, as a result of which, a portion of the construction works of the aforesaid construction projects which was originally scheduled to be carried out during the year ended 31 December 2020 were delayed and contributed towards the composition of the 2021 Annual Cap.

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In assessing the reasonableness of the Revised Annual Caps, we have discussed with the Management and was advised that the Revised Annual Caps were determined with reference to, among others, (i) ongoing and secured construction contracts awarded by the Qingdao Group; (ii) potential projects involved/to be involved by the Qingdao Group and the estimated planned schedule and size of such projects; (iii) the historical growth rate of the aggregated size of construction contracts of the Qingdao Group; (iv) the recent acquisition of 青島澳柯瑪控股集團有限公司 (Qingdao Aucma Holding Group Co., Ltd.*), a company listed on the Shanghai Stock Exchange, by the Qingdao Group in March 2021 as well as its expansion plan; and (v) the Group's increased capabilities and capacities after its acquisition Qingdao Honghai in January 2021, which enabled the Group to leverage the expertise and experience of Qingdao Honghai in curtain wall construction works as well as enhanced the Group's overall service offerings and competitiveness in the general construction market in the PRC.

In this connection, we have obtained a project schedule prepared by the Management (the "**Project Schedule**") to support the basis of the Revised Annual Caps for the years ending 31 December 2021, 2022 and 2023. The Project Schedule sets out that the Revised Annual Caps are made up of, where relevant, a combination of (i) ongoing construction projects; (ii) awarded construction projects; (iii) identified potential construction projects; and (iv) estimated construction projects which will be available for tendering and may be awarded to the Group, the value of which is calculated based on estimated construction area and construction costs. The aforesaid projects included a wide-range of construction projects, such as, among others, commercial properties, government-use properties and/or facilities, utility related facilities and/or structures, health care facilities and educational facilities.

We noted from the Project Schedule that the 2021 Annual Cap has taken into account of nine ongoing construction projects, which comprised of properties/facilities of various nature, including, among others, commercial properties, government-use properties and facilities, and utility related facilities.

Two of the aforesaid secured contracts, with a contract sum of approximately RMB494.4 million (equivalent to approximately HK\$581.6 million) (before adjustment in accordance with the relevant construction contract provisions) and approximately RMB446.0 million (equivalent to approximately HK\$524.7 million) (before adjustment in accordance the relevant construction contract provisions) with an aggregated construction area in the region of 300,000 m², had already been approved by the then independent Shareholders at the general meeting of the Company dated 30 March 2020, respectively. For further details of the aforesaid two secured contracts, please refer to the circular of the Company dated 13 March 2020.

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The contract sum of the aforesaid remaining seven construction projects ranged from approximately RMB15.5 million to RMB268.7 million, with construction areas from approximately 13,000 m² to 52,000 m². The construction projects are primarily located across Qingdao city, Shandong Province, including various locations in the Qingdao West Coast and Lingshan Bay areas. As per the Management, the remaining duration of these construction works ranged from approximately six months to 18 months.

Based on the Project Schedule and as confirmed by the Management, in addition to the aforesaid nine ongoing construction projects, the 2021 Annual Cap also comprised four secured construction projects, which were newly awarded in 2021, and five potential construction projects, of which the relevant tender has been submitted/under preparation. These construction projects are expected to comprise of properties/facilities of various nature, including, among others, commercial properties, government-use properties and/or facilities, utility related facilities and/or structures, health care facilities and educational facilities. The contract sum of the four secured construction projects ranged from approximately RMB50.1 million to RMB933.5 million, with construction areas from approximately 97,000 m² to 162,000 m². On the other hand, the expected contract sum of these five potential construction projects ranged from approximately RMB90,000 to RMB183.5 million and the duration of these construction works is up to approximately 36 months based on information available to the Management.

Having considered the above reasons and factors, we considered the 2021 Annual Cap to be reasonable.

Our work and analysis on the 2022 Annual Cap and the 2023 Annual Cap

Having considered the reasonableness of the 2021 Annual Cap, we have performed work and analysis on the 2022 Annual Cap and the 2023 Annual Cap, being HK\$3,164 million and HK\$4,746 million, respectively. We noted that the 2022 Annual Cap represents an increase of HK\$1,318 million or an increase of approximately 71.4% to the 2021 Annual Cap, and the 2023 Annual Cap represents an increase of HK\$1,582 million or an increase of approximately 50.0% to the 2022 Annual Cap.

As set out in the Project Schedule, the 2022 Annual Cap and the 2023 Annual Cap was based on, where applicable, (i) secured and ongoing construction projects; (ii) potential construction projects of which the Group has already submitted a tender or expected to be tendered for by the Group; and (iii) other potential construction projects of which may be tendered for and awarded to the Group, the estimated aggregate construction area of the aforementioned projects amount to over 800,000 m² and 1,400,000 m² during the year ending 31 December 2022 and 2023, respectively.

Based on a range of construction unit price estimated by the Management determined with reference to historical costs and prevailing construction unit price, the estimated value of these construction works, if completed in full and as per the estimated

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time schedule, would be in excess of RMB2,500 million (equivalent to approximately HK\$2,941.2 million) and RMB4,000 million (equivalent to approximately HK\$4,705.9 million) for the year ending 31 December 2022 and 2023, respectively. It should be noted that the construction unit prices used are only estimations and the actual construction unit price will differ from project to project as the unit prices are subject to, among others, fluctuations in costs of raw materials, labour, subcontractors and transportation, as well as the design, complexity and progress of the actual construction works.

In assessing the reasonableness of the growth in the 2022 Annual Cap of approximately 71.4% and 2023 Annual Cap of approximately 50.0%, in addition to the Project Schedule, we have also performed the following work and analysis. We have obtained and reviewed documentation provided by the Management supporting that the Qingdao Group, being the ultimate holding company of the Company and a state-owned enterprise wholly-owned by the State-owned Asset Supervision and Administration Commission of Qingdao, intends to develop three areas located in Qingdao West Coast with an aggregate gross floor area of not less than 97.35 square kilometres (equivalent of 97.35 million square metres) in stages in the next few years (the “**Qingdao West Coast Area**”). The Management advised that the estimated total contract sum of construction projects under the Qingdao West Coast Area alone shall be in the region of RMB6,000 million per annum, subject to the award of construction projects and their respective progress, which was considered when determining the 2022 Annual Cap and the 2023 Annual Cap. For information purposes, it is noted that the Management expects the existing ongoing construction contracts at Langdong and Lanxi in the Qingdao West Coast Area to contribute in the region of RMB440 million towards the 2021 Annual Cap.

Although the Management expects that the Group would be eligible to tender for a substantial portion of these construction contracts in Qingdao West Coast Area, for the purpose of prudence, the Management only estimated that the Group would successfully be awarded with a moderate portion of these contracts for each of the year ending 31 December 2022 and 2023, respectively. For illustration purposes, the estimated aggregate construction area under the 2022 Annual Cap and 2023 Annual Cap of over 800,000 m² and 1,400,000 m² respectively, represents less than 1% and 1.5% of the aforesaid estimated aggregate gross floor area of the Qingdao West Coast Area of not less than 97.35 million m² to be developed in stages in the next few years.

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In addition, the Management understands that the Qingdao West Coast Group is contemplating to enter into a strategic cooperation agreement with another listed company in Hong Kong with a view to establish joint ventures in developing residential and other construction projects in Qingdao. Based on published information, such listed company holds not less than 10,000,000 m² of land bank in Qingdao. The Management believes that the aforesaid strategic cooperation agreement, if consummated, shall provide the Group with additional tendering opportunities and, if awarded, to participate in construction projects from these joint ventures, which would lead to additional construction contracts and further utilisation of the relevant annual caps.

Further to the above, we understand from the Management advised that typically construction contracts in the PRC would have a duration from approximately 12 months to 36 months. Given the duration and size of the construction contracts varies 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 2022 and 2023.

As for the growth rate of approximately 71.4% for the 2022 Annual Cap and approximately 50.0% for the 2023 Annual Cap, we have considered the historical yearly revenue growth rate of the Group for the years ended 31 December 2018, 2019 and 2020 of approximately 33.9% and 184.6%, and a compound annual growth rate (the “CAGR”) over the same period of approximately 95.2%. In this connection, the growth rate for the 2022 Annual Cap and the 2023 Annual Cap are both within range of the historical yearly revenue growth rate and the CAGR based on the revenue for the years ended 31 December 2018, 2019 and 2020.

We also understand from the Management that in order to allow flexibility to cater for circumstances such as (i) in the event that the relevant annual cap at the time is insufficient, the Company would need to seek independent shareholders’ approval before commencing the relevant construction works for the Qingdao Group which would cause undue delay to the project; (ii) the contracts available for tender and works being certified and recognised as revenue by the Group may not be evenly distributed throughout 2022 and 2023, the 2022 Annual Cap and the 2023 Annual Cap would allow a degree of flexibility to cater for unforeseen circumstances or changes to project schedule; and (iii) the continuing connected transactions shall be conducted on normal commercial terms. Having considered the above reasons and factors, we considered the 2022 Annual Cap and the 2023 Annual Cap to be reasonable.

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Ongoing business relationship with Qingdao West Coast Group

With reference to the 2020 Annual Report, the Group commenced its provision of general construction contracting services in 2020 and the relevant business segment have contributed approximately HK\$737.5 million or 50.3% of the total revenue of the Group for the year ended 31 December 2020, while contributed to approximately 38.5% of the Group's segment result. Overall, the total revenue, gross profit and net profit of the Group increased by approximately HK\$950.6 million, HK\$22.9 million and HK\$4.0 million, respectively, as compared to the corresponding prior year. However, given the minority interest in certain subsidiaries of the Group, in particular, the Group held 80% of the equity interest in Dongjie Construction, an operation entity of the Group that provides general construction contracting services, the Management advised that profit attributable to the equity holders of the Company derived from the general construction contracting services business only increased by approximately HK\$1.5 million for the year ended 31 December 2020 as compared to the prior year, which is notably lower than the rate of increase in the Group's overall revenue as well as gross profit.

As advised by the Management, although the provision of general construction contracting services usually generates a comparatively larger amount of revenue as compared to the other business segments of the Group due to its high contract sum in nature, considering that (i) the Group was mainly responsible for the overall management of the construction project had to engage other subcontractors for carrying out the constructions works on site, and therefore would generally derive a relatively lower margin compared to other business segments of the Group; and (ii) the Group owned 80% equity interest in Dongjie Construction, thus the incremental profit attributable to owners of the Company as a result of undertaking additional general construction contracting services would be at a relatively lower rate compared to other business segments of the Group.

Besides, it is noted that the Group provides general construction services to other connected persons as well as independent third parties. As advised by the Management, other than projects engaged by Qingdao West Coast Group, the Group has two general construction projects on hand and four general construction projects under bidding or negotiation as at the Latest Practicable Date, with an aggregate contract sum of approximately RMB352.6 million (equivalent to approximately HK\$414.8 million) and RMB640.0 million (equivalent to approximately HK\$752.9 million), respectively, engaged or to be engaged by independent third party customers. Furthermore, the Management also advised that the Group has secured a number of curtain wall related projects, of which the aggregate contract sum is approximately RMB452.2 million (equivalent to approximately HK\$532.0 million), with independent third party customers.

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The Management further advised that the marine construction works as well as other ancillary marine related services remained to be a key business segment of the Group. As disclosed in the 2020 Annual Report, the Group recorded an increase in revenue derived from marine construction works and provision of ancillary marine related services of approximately HK\$163.4 million and HK\$50.7 million for the year ended 31 December 2020, respectively. We also noted from the Management that as at the Latest Practicable Date the Group has (i) 13 key marine construction projects with an aggregate contract sum of approximately HK\$2,272.4 million; and (ii) seven large scale potential marine construction projects with an estimated contract sum of approximately HK\$1,934.6 million which are under bidding or negotiation.

Having considered that (i) the provision of general construction services had contributed a relatively low profit margin to the Group in general as compared to the marine construction works as well as ancillary marine related services; (ii) the Group provides general construction services to both independent third parties and Qingdao West Coast Group; (iii) the marine construction works remained to be a key business segment of the Group; (iv) the Directors confirmed that the Company will continue to develop and expand its general construction business, marine construction and vessel leasing businesses with independent third parties; and (v) the Revised Annual Caps represent the maximum limit which may or may not reflect the actual contract sums of general construction services with Qingdao West Coast Group as the award of contracts will subject to successful tender, the Directors considered, and we concur, that the Transactions would not render extreme reliance by the Group on the Qingdao West Coast Group.

Summary

The Management advised that the Group is not under obligation to submit tenders for construction contracts of the Qingdao Group and shall submit tender for projects after preliminary internal feasibility study as well as taking into account of the availability of resources at the relevant time. In addition, Shareholders should note that the Revised Annual Caps represent estimates by the Group based on the information currently available. Furthermore, the Qingdao Group may or may not undertake any future real estate development projects and/or construction projects up to the potential size projected by the Company and appoint member(s) of the Group as construction contractor(s) in relation to future tenders for the Qingdao Group's existing and/or future construction projects, or if appointed, to take up construction works up to the level of the Revised Annual Caps. As such, Shareholders should also be aware that the actual utilisation and sufficiency of the Revised Annual Caps would depend on a host of factors, including but not limited to, the contract sum to be awarded to the Group after a competitive tender process (if at all), the progress of development in Qingdao West Coast Area and the scope of work. In this regard, we understand from the Management that the Company will actively monitor the progress and utilisation of the Revised Annual Caps to ensure compliance with the Listing Rules from time to time.

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Having taken into account (i) the Management shall continue to develop the Group's construction business under the Group's strategy and, subject to successful tender, seek appointment by the Qingdao Group as construction contractor(s) for the construction projects in the Qingdao West Coast Area; (ii) the information on the construction contracts as set out under the schedule provided; (iii) our analysis and work performed, including our reasons and analysis on why the Transactions do not render extreme reliance by the Group on the Qingdao West Coast Group, as set out above; (vi) the Revised Annual Caps offer the Group flexibility and facilitate the participation in tenders and (subject to successful tender(s)) taking on construction contracts from member(s) of the Qingdao Group as construction contractor(s); and (v) it is an option but not an obligation for the Group to participate in tendering process for these construction contracts of the Qingdao Group, we consider that the basis for the Revised Annual Caps to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

VIII. RECOMMENDATION

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

- (i) the reasons for and benefits of entering into the Transactions;
- (ii) the award of construction services under the Supplemental Construction Services Framework Agreement, subject to successful tender, facilitates the development of the Group's construction business in the PRC, thus shall broaden the Group's revenue base;
- (iii) the Transactions shall be 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 procedures; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) the basis for determining the Revised Annual Caps are reasonable, details of which are disclosed in the section headed “4. Basis for determining the Revised Annual Caps” in this letter above,

we are of the view that the Transactions 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 Transactions 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 Transactions 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 14 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	40,000,000.00
 <i>Issued and to be issued, fully paid or credited as fully paid</i>	
<u>800,000,000</u> Shares in issue as at the Latest Practicable Date	<u>8,000,000</u>
 <u>800,000,000</u> Total number of Shares	 <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) **Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long position in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of interest
Mr. Cui Qi ("Mr. Cui")	Interest through controlled corporations (<i>Note</i>)	102,000,000	12.75%

Note: The 102,000,000 Shares were held by Sky Hero Global Limited ("Sky Hero"), a company wholly owned by Solid Jewel Investments Limited ("Solid Jewel"), which was in turn owned as to 60% by Mr. Cui.

Long position in the shares of associated corporations of the Company

Name of Director	Associated corporations	Capacity	Approximate percentage of interest
Mr. Cui	Solid Jewel	Beneficial owner	60.00%
Mr. Cui	Sky Hero	Interest in controlled corporation	100.00%

(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

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of interest
Qingdao West Coast Holdings (Internation) Limited (<i>Note 4</i>)	Beneficial owner	600,000,000	75.00%
West Coast Investment (Hong Kong) Limited (<i>Note 1</i>)	Interest of a controlled corporation	600,000,000	75.00%
West Coast Holdings (Hong Kong) Limited (<i>Note 1</i>)	Interest of a controlled corporation	600,000,000	75.00%
Qingdao West Coast Holding Development Limited* 青島西海岸控股發展有限公司 (<i>Note 1</i>)	Interest of a controlled corporation	600,000,000	75.00%
Qingdao West Coast Group (<i>Note 1</i>)	Interest of a controlled corporation	600,000,000	75.00%
Qingdao State-owned Assets Supervision and Administration Commission of the State Council	Interest of a controlled corporation	600,000,000	75.00%
Sky Hero	Beneficial owner	102,000,000	12.75%

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of interest
Solid Jewel (<i>Note 2</i>)	Interest of a controlled corporation	102,000,000	12.75%
Ms. Mu Zhen (“ Ms. Mu ”) (<i>Note 3</i>)	Interest of spouse	102,000,000	12.75%

Notes:

- 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.
- Solid Jewel is deemed or taken to be interested in all the Shares which are beneficially owned by Sky Hero under the SFO. Sky Hero is wholly-owned by Solid Jewel.
- Ms. Mu is the spouse of Mr. Cui and she is deemed or taken to be interested in all the Shares which are beneficially owned by Mr. Cui under the SFO.
- The interest in Shares held by Qingdao West Coast Holdings included the 102,000,000 Shares held by Sky Hero which were charged in favour of 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:

Name	Qualifications
Red Sun Capital Limited	A licensed corporation to conduct 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 2020.

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 2020, 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, Mr. Cui is interested in the entire equity interests in Shenzhen Changsheng Marine Engineering Limited* (深圳長盛海事工程有限公司). Therefore, Mr. Cui is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

Save as disclosed above, none of the Directors and their respective close associates had any interest in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of 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 2020, 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 available for inspection at Unit Nos. 04–05, 5/F, K. Wah Centre, 191 Java Road, North Point, Hong Kong during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the date of this circular up to and including the date of the EGM:

- (a) the Construction Services Framework Agreement;
- (b) the Supplemental Construction Services Framework Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 24 to 25 in this circular;
- (d) 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 26 to 48 in this circular; and
- (e) the written consent of the expert referred to in the paragraph headed “Expert” in this appendix; and
- (f) this circular.

NOTICE OF EGM



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 OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Prosper Construction Holdings Limited (the “Company”) will be held at Unit Nos. 04–05 on 5th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong on Tuesday, 20 July 2021 at 10:00 a.m., for the purposes of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution of the Company:

ORDINARY RESOLUTION

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

“THAT

- (a) the Supplemental Construction Services Framework Agreement (as defined in the circular of the Company dated 30 June 2021, a copy of the Supplemental Construction Services Framework Agreement has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby confirmed and approved;
- (b) the annual caps in relation to the Supplemental Construction Services Framework Agreement as stated in the circular of the Company dated 30 June 2021, for each of the years ending 31 December 2021, 2022 and 2023, be and are hereby approved; and
- (c) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he considers necessary or expedient for the implementation of and giving effect to the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 30 June 2021

NOTICE OF EGM

Head Office and Principal Place of Business:

Unit Nos. 04–05, 5/F

K. Wah Centre

191 Java Road

North Point

Hong Kong

Registered Office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Notes:

- (1) The resolution set out in this notice of the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**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 EGM 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.
- (3) Whether or not you intend to attend the EGM 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 EGM and voting in person if you so wish. In the event that you attend the EGM after having lodged the form of proxy, it will be deemed to have been revoked.
- (4) 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 deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time fixed for holding 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.
- (5) Where there are joint registered holders of any Share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
- (6) In order for a shareholder of the Company to be eligible to attend and vote at the EGM, 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 14 July 2021.

NOTICE OF EGM

(7) **Precautionary measures and special arrangements for the EGM**

In view of the novel coronavirus (“**COVID-19**”) outbreak, certain measures will be implemented at the EGM to reduce the risk of infection to attendees of the EGM, including but not limited to (i) compulsory body temperature check; (ii) wearing of surgical masks throughout the EGM; and (iii) no refreshments or drinks being provided. Attendees who do not comply with the precautionary measures above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

The Company will keep monitoring the COVID-19 situation and may implement additional measures which, if any, will be announced at a time closer to the date of the EGM.

As at the date of this notice, the Board comprises executive Directors, namely Mr. Wang Xuejun (chairman of the Board), Mr. Cui Qi (Chief executive officer), Mr. Ding Hongbin (Chief operating officer), Mr. Yang Zhenshan, Mr. Jiang Shuang and Mr. Yang Honghai; and independent non-executive Directors Mr. Cheung Chi Man Dennis, Mr. Wang Yaping and Mr. Cheng Xuezhao.