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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)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

AUDITED ANNUAL RESULTS

Reference is made to the announcement of the Company dated 31 March 2022 in relation to the unaudited consolidated results of the Group for the year ended 31 December 2021 (the “Unaudited Results Announcement”).

As certain changes have been made to the unaudited financial information of the Group for the year ended 31 December 2021 as contained in the Unaudited Results Announcement, the differences between the unaudited financial information and audited financial information contained in this announcement are set out in the section headed “Material Differences Between Unaudited and Audited Annual Results”. Unless otherwise defined therein, capitalised terms used in this announcement shall have same meanings as those defined in the Unaudited Results Announcement.

The board (the “Board”) of directors (the “Directors”) of Prosper Construction Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is pleased to present the audited consolidated results of the Group for the year ended 31 December 2021 (the “Year 2021”) together with comparative figures for the year ended 31 December 2020 (the “Year 2020” or “Previous Year”) as set out below.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	3	3,185,839	1,465,696
Cost of sales		<u>(2,980,749)</u>	<u>(1,379,071)</u>
Gross profit		205,090	86,625
Other gains, net		1,960	262
(Provision for)/reversal of impairment losses on financial assets		(29,144)	2,970
Research and development expenses		(11,310)	—
Other administrative expenses		<u>(95,698)</u>	<u>(51,713)</u>
Operating profit		<u>70,898</u>	<u>38,144</u>
Finance income		886	2,177
Finance costs		<u>(40,589)</u>	<u>(11,942)</u>
Finance costs, net		<u>(39,703)</u>	<u>(9,765)</u>
Profit before income tax		31,195	28,379
Income tax expenses	4	<u>(14,433)</u>	<u>(12,332)</u>
Profit for the year		<u>16,762</u>	<u>16,047</u>
Profit attributable to:			
Equity holders of the Company		2,581	13,591
Non-controlling interests		<u>14,181</u>	<u>2,456</u>
		<u>16,762</u>	<u>16,047</u>
Earnings per share for profit attributable to the equity holders of the Company:			
Basic and diluted earnings per share (HK cents)	5	<u>0.32</u>	<u>1.70</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Profit for the year		16,762	16,047
Other comprehensive income <i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<u>6,111</u>	<u>6,047</u>
Total comprehensive income for the year		<u>22,873</u>	<u>22,094</u>
Profit attributable to:			
Equity holders of the Company		7,828	18,190
Non-controlling interests		<u>15,045</u>	<u>3,904</u>
		<u>22,873</u>	<u>22,094</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		338,007	240,568
Investment properties		9,325	9,707
Investment in an associate		—	—
Right-of-use assets		66,971	39,049
Goodwill		43,310	16,395
Intangible assets		23,800	9,138
Deposits and prepayments		21,879	23,414
		<u>503,292</u>	<u>338,271</u>
Current assets			
Inventories		51,066	2,574
Trade, retention and notes receivables	7	555,893	403,764
Amounts due from fellow subsidiaries	7	1,439,642	50,305
Deposits, prepayments and other receivables		169,670	64,829
Contract assets	8	1,326,736	616,206
Time deposits with maturity over 3 months		22,294	23,847
Pledged bank deposits		71,717	23,700
Restricted cash		4,799	1,513
Cash and cash equivalents		291,838	228,821
		<u>3,933,655</u>	<u>1,415,559</u>
Total assets		<u>4,436,947</u>	<u>1,753,830</u>
EQUITY			
Capital and reserves			
Share capital	10	8,000	8,000
Reserves		535,422	527,192
		<u>543,422</u>	<u>535,192</u>
Non-controlling interests		<u>99,977</u>	<u>19,680</u>
Total equity		<u>643,399</u>	<u>554,872</u>

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings		476,943	34,147
Loan from an intermediate holding company		100,000	100,000
Lease liabilities		912	918
Deferred income tax liabilities		9,886	16,118
		<u>587,741</u>	<u>151,183</u>
Current liabilities			
Trade and retention payables	9	2,090,501	652,222
Accruals and other payables	9	217,980	60,493
Contract liabilities	8	22,838	9,209
Amounts due to fellow subsidiaries		64,435	—
Amount due to a related company		9	98
Amount due to other partner of joint operation		67	—
Amounts due to non-controlling interests		42,721	1,043
Borrowings		731,572	311,699
Lease liabilities		3,849	1,130
Income tax payable		31,835	11,881
		<u>3,205,807</u>	<u>1,047,775</u>
Total liabilities		<u><u>3,793,548</u></u>	<u><u>1,198,958</u></u>
Total equity and liabilities		<u><u>4,436,947</u></u>	<u><u>1,753,830</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The consolidated financial statements are presented in Hong Kong dollars ("HK\$") unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountant ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The accounting policies and methods of computation used in the preparation of the consolidated financial statements for the year ended 31 December 2021 are consistent with those used in the preparation of the Group's audited financial statements for the year ended 31 December 2020, except as described below.

(a) *Adoption of new standards, interpretation and amendments to standards*

The Group has adopted the following new standard, improvements, interpretation and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2021:

HKFRS 16 (Amendments)	Covid-19 Related Rent Concession
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform— Phase 2

The adoption of the above new and amendments to standards did not have significant financial impact on the consolidated financial statements.

(b) *New standards, revised framework and amendments to standards which are not yet effective*

The following are new standard, revised framework and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2022 or later periods, but have not been early adopted by the Group:

Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations ⁽¹⁾
Annual Improvements Projects	Annual Improvements to HKFRSs 2018–2020 ⁽¹⁾
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use ⁽¹⁾
HKAS 37 (Amendments)	Onerous contracts — Costs of Fulfilling a Contract ⁽¹⁾
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ⁽¹⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽²⁾
HKAS 1 and HKFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policies ⁽²⁾
HKAS 8 (Amendments)	Definition of Accounting Estimates ⁽²⁾
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽²⁾
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽²⁾
HKFRS 17	Insurance Contracts ⁽²⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for the accounting period beginning on 1 January 2022

⁽²⁾ Effective for the accounting period beginning on 1 January 2023

⁽³⁾ Effective date to be determined

The Group will apply the above new standard, revised framework and amendments to standards when they become effective. No new standard, revised framework and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2021	2020
	HK\$'000	HK\$'000
Rendering of services, recognised over time		
– Marine construction works	403,329	470,773
– Provision of auxiliary marine related services	105,772	257,402
– Provision of general construction contracting services	2,676,738	737,521
	3,185,839	1,465,696

4 INCOME TAX EXPENSES

The amount of income tax charged/(credited) to the consolidated statement of profit or loss represents:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
Under provision in prior years	—	2,616
Current income tax	86	—
People's Republic of China ("PRC") corporate income tax		
Current income tax	20,461	4,544
Indonesia income tax		
Withholding income tax	323	32
Macao complementary income tax		
Over provision in prior years	(2,171)	—
Current income tax	1,292	7,314
Deferred income tax	(5,558)	(2,174)
Income tax expenses	14,433	12,332

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year.
- (b) Subsidiaries in the PRC are subject to corporate income tax ("CIT") in accordance with the PRC CIT Law. According to the PRC CIT Law and the relevant regulations, the CIT tax rate applicable is 25% except for subsidiaries which qualify as High-New Technology Enterprises which are subject to a tax rate of 15%.
- (c) Indonesia income tax is charged through a system of withholding taxes. Companies are required to withhold final income tax for income of construction works performed and interest income from bank deposits. For the year ended 31 December 2021, income tax has been provided at the rate of 20% (2020: 20%) of the interest income from bank deposits.
- (d) Macao complementary income tax has been provided at the rate of 12% (2020: 12%) on the estimated assessable profit for the year.

5 EARNINGS PER SHARE

(a) Basic

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

	2021	2020
Profit attributable to equity holders of the Company (HK\$'000)	2,581	13,591
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	<u>800,000</u>	<u>800,000</u>
Basic earnings per share (HK cents)	<u>0.32</u>	<u>1.70</u>

(b) Diluted

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares during the year (2020: same).

6 DIVIDENDS

There is no final dividend proposed to shareholders of the Company for the year ended 31 December 2021 (2020: Nil).

7 TRADE, RETENTION AND NOTES RECEIVABLES AND AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	436,221	294,877
Less: Loss allowance	(19,723)	(5,688)
Trade receivables — net	416,498	289,189
Retention receivables	139,516	116,822
Less: Loss allowance	(8,351)	(2,247)
Retention receivables — net	131,165	114,575
Note receivables	8,355	—
Less: Loss allowance	(125)	—
Note receivables — net	8,230	—
Trade, retention and notes receivables, net	555,893	403,764
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amounts due from fellow subsidiaries – trade balances	1,442,672	50,813
Less: Loss allowance	(3,030)	(508)
Amounts due from fellow subsidiaries, net	1,439,642	50,305

The credit period granted to trade customers other than for retention receivables was within 30 days to 90 days for marine construction works and auxiliary marine related services whereas there is generally no credit period granted to the customers for general construction services in the PRC. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	195,910	158,616
1 to 2 years	136,668	105,530
Over 2 years	83,920	25,043
	<u>416,498</u>	<u>289,189</u>

In the consolidated balance sheet, retention receivables were classified as current assets. The ageing of the retention receivables based on invoice date was as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	12,215	24,302
Between 1 and 5 years	91,221	61,979
Over 5 years	27,729	28,294
	<u>131,165</u>	<u>114,575</u>

The ageing of the notes receivables based on invoice date as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	8,230	—
	<u>8,230</u>	<u>—</u>

The ageing analysis of the amounts due from fellow subsidiaries based on invoice date was as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	1,439,642	50,305
	<u>1,439,642</u>	<u>50,305</u>

8 CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract assets		
Provision of construction services – third parties	957,907	290,535
Provision of construction services – fellow subsidiaries	391,114	333,544
Less: Loss allowance	<u>(22,285)</u>	<u>(7,873)</u>
	<u>1,326,736</u>	<u>616,206</u>
Contract liabilities		
Provision of construction services	<u>(22,838)</u>	<u>(9,209)</u>

9 TRADE AND RETENTION PAYABLES, ACCRUALS AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	2,084,908	648,002
Retention payables	5,593	4,220
Accruals and other payables	<u>217,980</u>	<u>60,493</u>
	<u>2,308,481</u>	<u>712,715</u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	1,922,349	501,496
Over 1 year	<u>162,559</u>	<u>146,506</u>
	<u>2,084,908</u>	<u>648,002</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	1,818	4,108
Between 1 year and 2 years	3,465	—
Between 2 years and 5 years	310	112
	<u>5,593</u>	<u>4,220</u>

10 SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares, authorised:		
At 31 December 2019, 2020 and 2021	<u>4,000,000,000</u>	<u>40,000</u>
Ordinary shares, issued and fully paid:		
At 31 December 2019, 2020 and 2021	<u>800,000,000</u>	<u>8,000</u>

11 BUSINESS COMBINATION

Summary of acquisition

The Group completed the acquisition of 34% equity interests in Qingdao Honghai Curtain Wall Co., Ltd. (青島宏海幕牆有限公司) (“Honghai Curtain Wall”) on 13 January 2021, upon which Honghai Curtain Wall became an indirect non-wholly owned subsidiary of the Company.

As the Group is entitled to appoint a majority number of directors of Honghai Curtain Wall and is able to control its management and operation, the identifiable assets and liabilities of Honghai Curtain Wall are accounted for in the consolidated financial statements of the Group at their fair value under the acquisition method.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	<i>HK\$'000</i>
Consideration	59,264
Fair value of non-controlling interests	<u>65,252</u>
	<u>124,516</u>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
– Property, plant and equipment	13,640
– Right-of-use assets	31,845
– Inventories	5,744
– Intangible assets	20,541
– Trade and retention receivables	62,093
– Contract assets	122,594
– Deposits, prepayments and other receivables	7,790
– Cash and cash equivalents	952
– Borrowings	(22,353)
– Trade and retention payables	(103,390)
– Accruals and other payables	(28,635)
– Contract liabilities	(1,667)
– Lease liabilities	(1,330)
– Income tax payables	(8,754)
– Deferred tax liabilities	<u>(106)</u>
Total identifiable net assets	<u>98,964</u>
Goodwill	<u><u>25,552</u></u>

12 CONTINGENT LIABILITIES AND DISPUTES

(a) Contingent liabilities in relation to performance bonds of construction contracts

As at 31 December 2021, the joint operations held by the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business, and the amounts shared by the Group were HK\$51.9 million (2020: HK\$128.8 million). The performance bonds as at 31 December 2021 as expected to be released in accordance with the terms of the respective construction contracts.

(b) Involvement in litigation

A subsidiary of the Group is one of the two defendants to a litigation in which they are alleged to have caused damage to certain facilities of the plaintiff during a typhoon in 2018. The plaintiff is claiming damages for HK\$112 million subject to adjustments. As advised by the Group's independent legal advisor, the case is at an early stage before exchanging evidence and it is not possible to give a firm evaluation of the likelihood of the outcome or estimate the possible amount of loss, if any. Consequently, no provision in relation to the litigation has been made in the consolidated financial statements as at 31 December 2021.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since the financial information contained in the Unaudited Annual Results Announcement was neither audited nor agreed with PricewaterhouseCoopers (“PwC”) as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

	2021 Audited Annual Results <i>HK\$'000</i>	2021 Unaudited annual results <i>HK\$'000</i>	Difference <i>HK\$'000</i>
Consolidated Statement of Profit or Loss			
<i>For the year ended 31 December 2021</i>			
Revenue	3,185,839	3,200,842	(15,003)
Cost of sales	(2,980,749)	(3,011,505)	30,756
Provision for impairment of financial assets	(29,144)	(27,359)	(1,785)
Finance costs	(40,589)	(20,362)	(20,227)
Profit before income tax	31,195	36,353	(5,158)
Income tax expenses	(14,433)	(18,222)	3,789
Profit for the year	<u>16,762</u>	<u>18,131</u>	(1,369)
Consolidated Balance Sheet			
<i>As at 31 December 2021</i>			
Non-current assets			
Investment properties	9,325	9,729	(404)
Current assets			
Inventories	51,066	19,081	31,985
Trade, retention and notes receivables	555,893	556,975	(1,082)
Deposits, prepayment and other receivables	169,670	172,965	(3,295)
Contract assets	1,326,736	1,365,909	(39,173)

	2021 Audited Annual Results <i>HK\$'000</i>	2021 Unaudited annual results <i>HK\$'000</i>	Difference <i>HK\$'000</i>
Non-current liabilities			
Borrowings	476,943	489,206	(12,263)
Deferred income tax liabilities	9,886	10,896	(1,010)
Current liabilities			
Trade and retention payables	2,090,501	2,043,532	46,969
Accruals and other payables	217,980	387,615	(169,635)
Contract liabilities	22,838	13,830	9,008
Amounts due to fellow subsidiaries	64,435	—	64,435
Amount due to other partner of joint operation	67	—	67
Amounts due to non-controlling interests	42,721	—	42,721
Borrowings	731,572	719,601	11,971
Income tax payable	31,835	34,620	(2,785)
	<u> </u>	<u> </u>	

Audited profit for the year is lower than the unaudited annual results by HK\$1.4 million. There were uninstalled materials identified which increase inventories and reduce cost of sales and the corresponding revenue and tax provision. In addition, further impairment of financial assets and investment properties are made. There are also various reclassification among profit and loss items and balance sheet items.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's marine construction business during the Year 2021 was mainly driven by projects in Macao, which was relatively less affected by COVID-19 outbreak. Albeit minor delay in the launch of potential new projects was noted, the Group's existing projects in Macao achieved favourable progress in Year 2021 and contributed HK\$327.8 million, representing approximately 10.3% of the Group's total revenue for Year 2021. The marine construction market in Hong Kong is starting to recover as proceedings at the legislative council returned to normal and disruptions caused by COVID-19 subsided and the Group has secured two new marine construction projects in Hong Kong with estimated contract sum of over HK\$100 million each during Year 2021. On the other hand, essentially all of the Group's overseas projects have been concluded by the end of Year 2021 and no major new projects has been entered into during Year 2021 as negotiation of projects at overseas locations has been restricted owing to the prolonged COVID-19 situation.

The Group established a strong presence in the general construction business in Qingdao since the acquisition of Qingdao Dongjie Construction Group Co., Ltd.* (青島東捷建設集團有限公司) ("Dongjie Construction") (previously known as Qingdao Dongjie Construction Engineering Co., Ltd.* 青島東捷建設工程有限公司) in the year 2020 and, as a strategic step to enhance its competitive advantage and capture a larger market share, the Group acquired a 34% equity interest with control over the board of Qingdao Honghai Curtain Wall Co., Ltd.* (青島宏海幕牆有限公司) ("Honghai Curtain Wall"), which is principally engaged in design and implementation of construction and decoration works, design, production and installation of curtain walls, doors and windows, steel structure works, landscaping and municipal construction, in Year 2021. Taking advantage of the business network of the Company's controlling shareholder Qingdao Haifa State-owned Capital Investment and Operation Group Co., Ltd.* (青島海發國有資本投資運營集團有限公司) (together with its subsidiaries and/or affiliated companies collectively referred to as "Haifa Group"), the Group's revenue from general construction contracting business in the PRC experienced substantial growth of approximately 117.3% during the Year 2021. A summary of the Group's revenue by geographic location and major projects for the Year 2021 is set out below.

	Revenue recognised in Year 2021 <i>HK\$'million</i>	Contribution to total revenue	Current status
Marine construction works and auxiliary marine related services (collectively, the “Marine Business”)			
Macao			
Two land reclamation projects	194.9	6.2%	On-going and expecting completion in Q2/2022
Trestle bridge and dredging in relation to cross-harbour bridge project	98.0	3.1%	On-going and expecting completion in Q3/2023
Engineering, procurement and construction (“EPC”) contract for electricity generation facility	20.5	0.6%	On-going and expecting completion by Q4/2022
Others	14.4	0.5%	
Vietnam			
Auxiliary marine services for electricity generating facility	29.8	0.9%	Substantially completed
Hong Kong			
Marine construction works	64.6	2.0%	
Auxiliary marine services	34.5	1.1%	
Other locations			
Marine construction works	10.9	0.3%	
Auxiliary marine services	41.5	1.3%	Various projects in Pakistan and Vietnam
General construction contracting services (the “General Construction Business”)			
Qingdao			
Landong & Lanxi re-development projects	532.1	16.7%	On-going and expecting completion in Q1/2023
Innovation and Technology Centre construction	309.0	9.7%	On-going and expecting completion in Q2/2024
Office building construction	290.1	9.1%	On-going and expecting completion in Q2/2022
Residential development project	159.3	5.0%	On-going and expecting completion in Q2/2023
Other smaller general construction projects	1,386.2	43.5%	
Total	3,185.8	100.0%	

As noted above, revenue from General Construction Business contributed approximately HK\$2,676.7 million or 84.0% of the Group's revenue for the Year 2021.

Outlook and Prospects

The Group has entered into a cooperation agreement and is negotiating the terms of subcontracting arrangement with the main contractor of a new land reclamation project in Macao that is expected to commence in the latter part of year 2022. Meanwhile, the bidding for several planned large scale marine construction projects in the Philippines, Pakistan and Thailand has been hindered by the COVID-19 outbreak; nonetheless, the Group has been awarded an auxiliary marine related service project in the Philippines in year 2022 with an estimated contract sum of over HK\$300 million. Our management team is closely monitoring the development of potential marine construction projects under planning by our target customers and the Group is already prepared to take swift action to bid for potential overseas projects in an effective manner.

As part of the governmental initiative for urban development of the Qingdao West Coast New Area, the Group expects a large number of projects to be launched in the foreseeable future and the Group's participation in construction projects related to the Haifa Group will continue to rise. Accordingly, the Group has entered into a supplemental agreement with the Qingdao Haifa Group Co. in June 2021 for upward revision of annual caps of construction services transactions to be entered into between the Group and the Haifa Group for the three years ending 31 December 2021, 2022 and 2023.

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

	Location	Estimated remaining contract sum <i>HK\$'million</i>	Expected time of completion
Project(s) that have already commenced as at 31 December 2021			
EPC contract for an electricity generation facility	Macao	413.7	End of year 2022
Trestle bridge and dredging in relation to a cross-harbour bridge project	Macao	71.0	Third quarter of year 2023
Rock placement services for underwater pipeline project	Hong Kong	133.6	End of year 2022
Residential development project	Qingdao West Coast New Area	242.1	Second quarter of year 2023
Residential development project	Qingdao West Coast New Area	192.4	Third quarter of 2023
Science and technology innovation center project	Qingdao West Coast New Area	996.1	Second quarter of 2024
Residential development project	Qingdao West Coast New Area	149.7	End of year 2022
Residential development project	Qingdao City	1,053.5	Third quarter of 2025

	Location	Estimated remaining contract sum <i>HK\$'million</i>	Expected time of completion
Project(s) commencing or are newly awarded after 31 December 2021			
Car park development project	Qingdao West Coast New Area	162.0	Third quarter of 2025
Office building construction work	Qingdao West Coast New Area	123.6	Third quarter of 2025
Provision of auxiliary marine related services	Philippine	301.8	Second quarter of 2023

As the international community is relaxing travel restrictions and other pandemic control measures, we expect to see an acceleration in the launch of large-scale development projects, especially infrastructure and public facility projects, and the Group is in an advantageous position to take on such opportunities along the belt-and-road region where it has commendable business record, such as Pakistan and Indonesia. Moreover, the Qingdao West Coast New Area is one of the state-level new areas with the most diverse set of industries for focal development and the Haifa Group is endowed with the responsibility and opportunity to plan and develop land reserve and undertake major infrastructure and urban development projects etc. in the area; as such, it is envisaged that the General Construction Business will continue to be the key revenue driver for the Group, with a significant portion of revenue sourced through the Haifa Group. It is also expected that the marine construction market in Hong Kong will liven up with the launch of projects associated with the Lantau Tomorrow development plan as promulgated in the policy address of the chief executive of the Hong Kong SAR. Looking beyond the near-term uncertainties brought on by the COVID-19 outbreak, there is ample growth potentials available to the Group in the medium to long term.

Financial Review

Revenue

The Group recorded revenue of HK\$3,185.8 million for the Year 2021, representing an increase of approximately 117.4% from the year ended 31 December 2020 (“Year 2020” or “Previous Year”) as a combined result of (i) an increase in revenue from General Construction Business by approximately HK\$1,939.2 million, mainly from projects in the PRC; (ii) a decrease in revenue from auxiliary marine related services by approximately HK\$151.6 million; (iii) a decrease in revenue from Marine Construction Works approximately HK\$67.4 million. The substantial rise in revenue from General Construction Business is attributable to the Company’s strategy to acquire Dongjie Construction and Honghai Curtain Wall, which enabled to Group to take on vast business opportunities available in the Qingdao area. On the other hand, negotiations for new auxiliary marine related services projects located in overseas have been restricted, revenue contribution from this business segment experienced notable decline as existing projects gradually progressed to the final stage during the Year 2021. A breakdown of the Group’s revenue from major projects and by geographic location is set out in the section headed “Business Review” above.

Cost of sales and gross profit

Cost of sales for the Year 2021 increased by 116.1% to HK\$2,980.7 million, which is consistent with the rise in revenue. Gross profit margin in Year 2021 slightly increased by 0.5% to 6.4%, as compared to 5.9% for Year 2020, while gross profit increased by 136.8% to HK\$205.1 million for Year 2021, driven by the growth in revenue.

(Provision for)/reversal of impairment losses on financial assets

The Group recorded a provision for expected credit loss amounting to HK\$29.1 million for the Year 2021 based on the management’s latest assessment of risk of default in general on the Group’s financial assets, as compared to a reversal of provision for impairment of HK\$3.0 million for the Previous Year. The significant rise in provision for expected credit loss is in line with the significant increase in the balances of financial assets as at 31 December 2021 which were pending for settlement.

Research and development expenses

Expenses of HK\$11.3 million were incurred in Year 2021 in relation to the research and development of curtain wall engineering and construction technology.

Other administrative expenses

Other administrative expenses for the Year 2021 increased to approximately HK\$95.7 million as compared to approximately HK\$51.7 million for the Year 2020 as a result of (i) administrative expenses in the ordinary operation of the newly acquired Honghai Curtain Wall, which mainly comprised staff costs; and (ii) increase in legal and professional fees for Year 2021 mainly due to the professional fees incurred for the acquisition of Honghai Curtain Wall and handling of connected transactions entered into during the Year 2021.

Income tax expenses

The Group incurred income tax expenses of HK\$14.4 million for Year 2021 mainly due to the assessable profits derived from the PRC and Macao.

The Group's marine construction business in Macao is subject to Macao complementary income tax at a rate of 12%.

The Group's general construction contracting business in Qingdao is subject to PRC corporate income tax at a rate of 25% except for subsidiaries which qualify as High-New Technology Enterprises which are subject to a tax rate of 15%.

Operating profit, finance costs and profit before tax

Albeit the substantial growth in revenue and gross profit, operating results for Year 2021 was hampered by rise in provision for impairment losses on financial assets, research and development expenses and other administrative expenses as mentioned above. Consequently, the Group's operating profit for Year 2021 grew by approximately HK\$32.8 million or 85.9% only.

Furthermore, additional external financings were drawn to provide working capital to support business growth in Year 2021, which led to an increase in net finance costs by HK\$29.9 million.

Overall, the Group recorded a profit before tax of HK\$31.2 million for Year 2021, as compared to HK\$28.4 million for Year 2020. Setting aside the effect of impairment losses on financial assets, which is provisional in nature and may or may not materialise, the Group's profit before tax for Year 2021 would have amounted to HK\$60.3 million, as compared to HK\$25.4 million for Year 2020, representing an increase of approximately HK\$34.9 million.

Property, plant and equipment

As at 31 December 2021, the Group owned a total of 44 units of marine vessels and 189 units of machinery and equipment and an office building in Qingdao, PRC.

The additions to plant and equipment during the Year 2021 were mainly related to acquisition of vessels for the Marine Business.

Trade, retention and notes receivables and amounts due from fellow subsidiaries

The Group's trade, retention and notes receivables increased by approximately HK\$152.1 million to HK\$555.9 million as at 31 December 2021, of which approximately HK\$268.8 million pertained to the Marine Business segment while approximately HK\$287.1 million pertained to the General Construction Business segment. Trade and retention receivables in the Marine Business mainly comprised of receivables for works on projects already completed and pending settlement of final accounts. Trade receivables in the General Construction Business mainly comprised works performed pending settlement by customers.

The Group's amounts due from fellow subsidiaries increased by approximately HK\$1,389.3 million to HK\$1,439.6 million as at 31 December 2021 and pertained to the General Construction Business segment which comprised of receivables for works on projects pending settlement by the fellow subsidiaries.

While there is currently no indication of possible default on any of the Group's receivable balances, the management acknowledges there is certain default risks associated with receivables balances in general and has adopted a systematic approach in assessing the overall risk of default and appropriate provision for expected credit loss has been made against the Group's receivable balances as at 31 December 2021.

Contract assets/liabilities

Contract assets represent amounts due from customers for contract works performed which had not been billed as at the end of the year. The balance of contract assets as at 31 December 2021 for the Marine Business and General Construction Business was approximately HK\$217.6 million and HK\$1,109.1 million respectively. Majority of the contract assets in the Marine Business was related to three completed projects in Hong Kong which were pending the finalisation of project account. The Group has commenced dispute resolution procedures for the aforesaid three completed projects and based on preliminary assessment by the Group's project legal consultant, the Group is expected to be able to recover not less than the carrying value of the contract assets as at 31 December 2021 for these projects.

Contract liabilities as at 31 December 2021 represent amounts due to contract customers for payment received in excess of revenue recognisable by the Group according to the progress achieved, mainly in relation to the Group's EPC contract for an electricity generation facility in Macao.

Liquidity, Capital Structure and Gearing

The Group's net current asset balance and net debt position as at 31 December 2021 was approximately HK\$727.8 million (31 December 2020: HK\$367.8 million) and HK\$917.9 million (31 December 2020: HK\$168.0 million) respectively. The Group's gearing ratio (calculated by dividing total debts by total equity) as at 31 December 2021 was 203.4% (31 December 2020: 80.4%). The increase in gearing during the Year 2021 was due to (i) funds used in the acquisition of Honghai Curtain Wall; (ii) funds used for the acquisition of plant & equipment; and (iii) drawdown of loans to finance for working capitals to support business growth. The Group did not have any unutilised banking facilities as at 31 December 2021 (31 December 2020: Nil).

- (a) Borrowings due for repayment after one year which contain repayment on demand clause were classified as current liabilities.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	731,572	311,699
Between 1 and 2 years	140,104	11,877
Between 2 and 5 years	336,839	22,270
	1,208,515	345,846

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

	2021	2020
Short-term bank loans	4.1%	3.7%
Long-term bank loans	5.2%	5.0%

Foreign Exchange

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

Capital Expenditures

The Group generally finances its capital expenditures by cash flows generated from its operation and long-term bank borrowings. During the Year 2021, the Group invested approximately HK\$15.6 million in acquisition of vessels and approximately HK\$9.8 million in machinery and equipment, among others.

The Group’s fleet of vessels for marine construction works grew by 4 units during the Year 2021 to a total of 44 units as at 31 December 2021, with order placed for 1 further vessel which is yet to be delivered.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group completed the acquisition of 34% equity interest in 青島宏海幕牆有限公司 (Qingdao Honghai Curtain Wall Co., Ltd.*) on 13 January 2021 at a consideration of approximately RMB49.9 million, the details of which have been disclosed in the announcement dated 16 November 2020 and the circular dated 18 December 2020 published by the Company.

Other than the above, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year 2021.

Significant Investments Held

The Group had not held any significant investments during the Year 2021.

Charges on Assets

As at 31 December 2021, (i) plant and equipment with carrying value of approximately HK\$nil million (2020: HK\$6.2 million) and deposits of HK\$71.7 million (2020: HK\$23.7 million) were pledged to secure for the Group's bank borrowings; and (ii) approximately HK\$nil million (2020: HK\$44.4 million) were pledged as security for provision of a performance bond and a prepayment surety bond for the Group's project in Macao.

Contingent Liabilities

Save for the disclosure set out in note 12 to this announcement, the Group has no material contingent liabilities.

Relationships with Employees, Customers and Suppliers

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

Employees and remuneration policies

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

The number of staff of the Group by functions as at 31 December 2021 and 2020 are as follows:

	As at 31 December	
	2021	2020
Management and administration	104	53
Accounting and finance	26	11
Human resources	9	4
Project management	147	152
Project execution	345	78
	631	298

The total staff costs of the Group (including Directors' emoluments, salaries to staff, direct wages and other staff benefits included provident fund contributions and other staff benefits) for the Year 2021 was approximately HK\$154.8 million (2020: HK\$227.2 million). The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance of the employees by salary revision, bonus and promotion where suitable. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor any difficulty in the recruitment and retention of experienced staff.

Customers and suppliers

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

Dividend

The board of Directors do not recommended the payment of a dividend for the Year 2021.

Environmental Policies

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

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

- (ii) taking into consideration the environmental impacts in project planning and the design of work method statements;
- (iii) equipping all of the Group's vessels with fuel leakage defence equipment for suppressing the spread of floating fuel spills in case of leakage;
- (iv) installing facilities as required to prevent contamination, such as silt curtains to prevent sediment pollution when carrying out land reclamation works and underwater bubble curtains to act as a noise barriers to reduce noise level from marine piling works; and
- (v) sorting excavated materials from dredging and excavation works for recycling use or disposal, and in case of contaminated sediment, disposing of the excavated materials at designated dumping area according to the relevant regulations.

The Group is accredited with ISO14001 and follows the procedures and requirements of the environmental management system in its operation. There had been no sanctions or penalties imposed on the Group for violation of any environmental laws or regulations during the Year 2021.

Principal Risk and Uncertainty

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

Significant Events After the Financial Year

No significant event has occurred after 31 December 2021 and up to the date of this announcement which would have a material effect on the Group.

Corporate Governance Practices

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

The Company has adopted the code provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”) and has complied with the code provisions throughout the Year 2021.

Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”) and all the Directors confirmed, upon specific enquiry made, that they complied with the Model Code throughout the Year 2021.

The Company has also established guidelines no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company and there is no incident of non-compliance with such guidelines by the relevant employees throughout the Year 2021.

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

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2021.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float required under the Listing Rules throughout the Year 2021 and up to the date of this announcement.

Dividend Policy and Dividends

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

The Directors do not recommended the payment of a dividend for the Year 2021.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify to attend and vote at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar 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, 22 June 2022.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of this announcement for the Group's consolidated balance sheet, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2021. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on the preliminary announcement.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises the three independent non-executive Directors and is chaired by Mr. Cheung Chi Man Dennis who has appropriate professional qualifications and experience as required by Rule 3.10(2) of the Listing Rules.

The Audit Committee has reviewed this annual results announcement, the consolidated financial statements and the accounting policies adopted by the Group for the year ended 31 December 2021.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the annual report of the Company for the Year 2021 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company by 31 May 2022.

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

Hong Kong, 16 May 2022

As at the date of this announcement, the Board comprised executive Directors Mr. WANG Xuejun (chairman of the Board), Mr. CUI Qi, Mr. DING Hongbin, 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.