



# PROSPER CONSTRUCTION HOLDINGS LIMITED

## 瑞港建設控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6816)**

*Executive Directors:*

Mr. Cui Qi  
Ms. Kui Ching Wah  
Mr. Tao Yang  
Mr. Yu Ming

*Registered office:*

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

*Independent non-executive Directors:*

Mr. Cheung Chi Man Dennis  
Ms. Leung Sau Fan Sylvia  
Mr. Leung Yee Tak

*Head office and principal place of business*

*in Hong Kong:*

Units Nos. 04–05 on the 5th Floor  
K. Wah Centre, No. 191 Java Road  
North Point  
Hong Kong

12 September 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED  
FOR AND ON BEHALF OF QINGDAO WEST COAST HOLDINGS  
(INTERNATION) LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF  
PROSPER CONSTRUCTION HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY QINGDAO WEST COAST HOLDINGS  
(INTERNATION) LIMITED AND/OR PARTIES  
ACTING IN CONCERT WITH IT)**

## INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other matters, the Share Transfer Agreement and the Offer. Terms used in this letter have the same meanings as defined in this Composite Document unless the context otherwise requires.

As mentioned in the Joint Announcement, on 18 July 2018, the Offeror as purchaser entered into the Share Transfer Agreement.

Pursuant to the Share Transfer Agreement, the Vendor conditionally agreed to sell and the Offeror conditionally agreed to acquire the Sale Shares, being 408,000,000 Shares beneficially owned by the Vendor and representing 51.00% of the entire issued share capital of the Company as at the date of the Joint Announcement, free from all encumbrances and together with all rights attached to the Sale Shares including, without limitation, the right to receive all dividends and distributions which may be recommended, declared, made or paid, the record date of which is on or after the Share Transfer Completion Date.

### **Consideration for the Sale Shares**

The consideration for the Sale Shares is HK\$537,540,000, equivalent to HK\$1.3175 per Sale Share, which was determined after arm's length negotiations between the Vendor and the Offeror, after taking into consideration, among others, (i) the prevailing market prices of the Shares as further described in the sub-section headed "Comparisons of value" below; (ii) the financial position of the Group; and (iii) the fact that the Offeror can obtain a controlling interest in the Company upon the Share Transfer Completion.

All Share Transfer Conditions were satisfied and the Share Transfer Completion took place on 16 August 2018. The consideration was paid by the Offeror in full upon the Share Transfer Completion.

Immediately following the Share Transfer Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in, and controlled the voting rights in respect of, an aggregate of 408,000,000 Shares, representing 51.00% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror and the parties acting in concert with it are required to make an unconditional mandatory general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it. Guotai Junan Securities, for and on behalf of the Offeror, is now making the Offer on the terms as set out in this Composite Document in compliance with the Takeovers Code.

Immediately after the Share Transfer Completion and as at the Latest Practicable Date, the Vendor will continue to be interested in the Remaining Shares, being 102,000,000 Shares and representing 12.75% of the entire issued share capital of the Company. The Vendor has entered into an irrevocable undertaking with the Offeror that, in respect of the Remaining Shares, (i) it will not accept the Offer; and (ii) it will not dispose of the Remaining Shares immediately after the Share Transfer Completion up to and including the Closing Date.

Pursuant to the Share Transfer Agreement, to ensure the Vendor performs its duties and responsibilities under the Share Transfer Agreement including (i) Mr. Cui continues to perform the existing services contract (the “**Existing Services Contract**”) with the Company after the Share Transfer Completion and up to the expiry of the Existing Services Contract, (ii) if, after the expiry of the Existing Services Contract and subject to the Listing Rules and the applicable laws and regulations thereof, the Company chooses to appoint Mr. Cui as an executive Director or to other senior management role(s) of the Company, Mr. Cui shall take up such appointment and execute a new 3-year fixed term services contract with the Company (the “**New Services Contract**”) with comparable principal terms of the Existing Services Contract, (iii) the Vendor and the Guarantors shall procure Mr. Cui and other senior management of the Company to remain in the Company during the terms of the Existing Services Contract and the New Services Contract and (iv) the undertaking in respect of recovery of the account receivables of the Company as at 31 December 2017, the Vendor has entered into a deed of share pledge (the “**Deed of Share Pledge**”) on the Share Transfer Completion Date whereby the Remaining Shares are charged in favour of the Offeror for a period of 24 months commencing from the Share Transfer Completion Date. If the Vendor shall fully perform its duties and responsibilities under the Share Transfer Agreement, the Deed of Share Pledge shall be released unconditionally after the aforesaid period. In addition, during the period while Mr. Cui remains as an executive Director or takes up other senior management role(s) of the Company, the Vendor shall not dispose of or deal with the Remaining Shares except as pursuant to the Deed of Share Pledge or that the prior consent of the Offeror has been obtained. During such period after the Deed of Share Pledge is released whilst Mr. Cui remains as an executive Director or takes up other senior management role(s) of the Company, prior consent from the Offeror should be obtained if the Vendor shall pledge or charge the Remaining Shares to any third party. Pursuant to the Deed of Share Pledge, the Vendor is at liberty to exercise its voting rights attached to the Remaining Shares during the effective period of the Deed of Share Pledge (i.e. a period of 24 months commencing from the Share Transfer Completion Date). In addition, each of Mr. Cui, Mr. Yu and Ms. Kui executed a deed of non-competition on 16 August 2018 in favour of the Company (for itself and as representative of its subsidiaries) as fulfilment of certain condition precedents to the Share Transfer Agreement as set out in the Joint Announcement. The details of the aforesaid deeds of non-competition are set out under the section “9. Material contracts” in Appendix IV to this Composite Document. Furthermore, the Vendor has not entered into any agreement or consensus with the Offeror or any party acting in concert with it in respect of the voting rights of the Remaining Shares.

Details of the Offer are set out in the “Letter from Guotai Junan Capital”, Appendix I to this Composite Document and the Form of Acceptance and Transfer.

The purpose of this Composite Document is to provide you with, among other matters, information relating to the Group and the Offeror, the Offer (including the expected timetable and terms of the Offer), the letter from the Board, the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer and the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

## INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, on 1 August 2018, the Board has established the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cheung Chi Man Dennis, Ms. Leung Sau Fan Sylvia and Mr. Leung Yee Tak to make a recommendation to the Independent Shareholders in respect of the Offer as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

Pursuant to Rule 2.1 of the Takeovers Code, on 1 August 2018, Red Sun Capital has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. The letter of advice from Independent Financial Adviser addressed to the Independent Board Committee is set out on pages 30 to 59 of this Composite Document.

You are advised to read the “Letter from the Independent Board Committee” addressed to the Independent Shareholders, the “Letter from Red Sun Capital” and the additional information contained in the Appendices to this Composite Document carefully before taking any action in respect of the Offer.

## THE OFFER

As mentioned in the “Letter from Guotai Junan Capital” as set out in this Composite Document, Guotai Junan Securities, for and on behalf of the Offeror, is making the Offer on the following basis:

**For every Offer Share. . . . . HK\$1.3175 in cash**

The Offer Price of HK\$1.3175 for each Offer Share is the same as the price paid by the Offeror for each Share under the Share Transfer Agreement.

On the basis of 800,000,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company would be valued at HK\$1,054,000,000. As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or other securities which are convertible or exchangeable into Shares. As at the Latest Practicable Date, 408,000,000 Shares were held by the Offeror and parties acting in concert with it, and excluding the 102,000,000 Remaining Shares, in respect of which the Vendor has irrevocably undertaken not to accept the Offer, the number of Shares subject to the Offer will be 290,000,000 and the value of the Offer is HK\$382,075,000.

The Offer is unconditional in all respects. The Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights now and

thereafter attached thereto, including all rights any dividend or other distribution paid, made or declared on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

## COMPARISONS OF VALUE

The Offer Price of HK\$1.3175 per Offer Share represents:

- a premium of approximately 1.35% over the closing price of HK\$1.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 15.57% over the closing price of HK\$1.14 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 17.63% over the average closing price of approximately HK\$1.12 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- a premium of approximately 21.32% over the average closing price of approximately HK\$1.09 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- a premium of approximately 23.67% over the average closing price of approximately HK\$1.07 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- a premium of approximately 34.42% over the average of the closing prices of the Shares of approximately HK\$0.98 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day;
- a premium of approximately 78.27% over the average of the closing prices of the Shares of approximately HK\$0.74 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day;
- a premium of approximately 108.96% over the audited consolidated net asset value per Share of approximately HK\$0.63 as at 31 December 2017, calculated based on the Group's audited consolidated net assets of approximately HK\$504.42 million as at 31 December 2017 as disclosed in the annual report of the Company for the year ended 31 December 2017 and 800,000,000 Shares in issue as at the Latest Practicable Date; and
- a premium of approximately 108.96% over the unaudited consolidated net asset value per Share of approximately HK\$0.63 as at 30 June 2018, calculated based on the Group's unaudited consolidated net assets of approximately HK\$505.03 million as at 30 June 2018 as disclosed in the interim report of the Company for the six months ended 30 June 2018 published on 29 August 2018 and 800,000,000 Shares in issue as at the Latest Practicable Date.

## Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.32 on 22 August 2018 and 3 September 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.44 on 9 February 2018.

## Further details of the Offer

Further details of the Offer including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the “Letter from Guotai Junan Capital” as set out in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

## INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability on 6 October 2015, and its shares are listed on the Main Board of the Stock Exchange.

The principal activity of the Company is investment holdings. The principal activities of the Group are the provision of marine construction services and, to a lesser extent, leasing and trading of vessels.

The following table is a summary of certain audited consolidated financial information of the Company for the three years ended 31 December 2015, 2016 and 2017 respectively.

|                        | <b>For the year<br/>ended<br/>31 December<br/>2017<br/>HK\$'000</b> | <b>For the year<br/>ended<br/>31 December<br/>2016<br/>HK\$'000</b> | <b>For the year<br/>ended<br/>31 December<br/>2015<br/>HK\$'000</b> |
|------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|
| Revenue                | 633,347                                                             | 658,860                                                             | 572,928                                                             |
| Profit before taxation | 67,177                                                              | 82,085                                                              | 110,828                                                             |
| Profit after taxation  | 64,470                                                              | 69,449                                                              | 95,988                                                              |
|                        | <b>As at<br/>31 December<br/>2017<br/>HK\$'000</b>                  | <b>As at<br/>31 December<br/>2016<br/>HK\$'000</b>                  | <b>As at<br/>31 December<br/>2015<br/>HK\$'000</b>                  |
| Net assets             | <u>504,416</u>                                                      | <u>464,123</u>                                                      | <u>171,834</u>                                                      |

Your attention is drawn to Appendices II and IV to this Composite Document which contain further financial and general information of the Group.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to the Share Transfer Completion and (ii) immediately upon the Share Transfer Completion and as at the Latest Practicable Date:

| Name of Shareholder                                  | Immediately prior to<br>the Share Transfer<br>Completion |               | Immediately upon<br>the Share Transfer<br>Completion<br>and as at the<br>Latest Practicable Date |               |
|------------------------------------------------------|----------------------------------------------------------|---------------|--------------------------------------------------------------------------------------------------|---------------|
|                                                      | <i>Number of<br/>Shares held</i>                         | <i>%</i>      | <i>Number of<br/>Shares held</i>                                                                 | <i>%</i>      |
| The Vendor                                           | 510,000,000                                              | 63.75         | 102,000,000                                                                                      | 12.75         |
| CITICC International<br>Investment Limited           | 90,000,000                                               | 11.25         | 90,000,000                                                                                       | 11.25         |
| The Offeror and parties acting<br>in concert with it | —                                                        | —             | 408,000,000                                                                                      | 51.00         |
| Public Shareholders ( <i>Note 1</i> )                | <u>200,000,000</u>                                       | <u>25.00</u>  | <u>200,000,000</u>                                                                               | <u>25.00</u>  |
| Total                                                | <u>800,000,000</u>                                       | <u>100.00</u> | <u>800,000,000</u>                                                                               | <u>100.00</u> |

*Note:*

1. As at the Latest Practicable Date, the “Public Shareholders” as stated above are third parties independent of the Company and its connected persons.

## INTENTION OF THE OFFEROR REGARDING THE GROUP

Please refer to the section headed “Intention of the Offeror regarding the Group” in the “Letter from Guotai Junan Capital” for detailed information on the Offeror’s intention on the business and management of the Group. The Board is aware of the intention of the Offeror regarding the Group and its employees and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and its Shareholders as a whole.

## PROPOSED CHANGE OF THE BOARD COMPOSITION

Please refer to the section headed “Proposed Change of the Board Composition” in the “Letter from Guotai Junan Capital” for detailed information on the Offeror’s intention on the business and management of the Group.

## **MAINTAINING THE LISTING STATUS OF THE COMPANY AND PUBLIC FLOAT**

The Stock Exchange has stated that if, at the closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Board noted from the “Letter from Guotai Junan Capital” that the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Board further noted that Mr. Cui and Mr. Tao Yang (the executive Director) and the directors of the Offeror have jointly and severally undertaken, and the new directors to be appointed to the Board will jointly and severally undertake, to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following closing of the Offer.

## **RECOMMENDATION**

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 28 to 29 of this Composite Document, which sets out its recommendations to the Independent Shareholders in relation to the Offer; and (ii) the “Letter from Red Sun Capital” on pages 30 to 59 of this Composite Document, which sets out its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it before arriving at its recommendations.

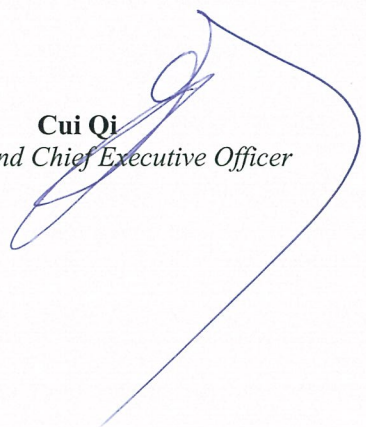
## **ADDITIONAL INFORMATION**

You are also advised to read this Composite Document together with the accompanying Form of Acceptance and Transfer in respect of the acceptance and settlement procedures of the Offer. Your attention is drawn to the additional information contained in the Appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,  
For and on behalf of the Board  
**Prosper Construction Holdings Limited**

**Cui Qi**  
*Chairman and Chief Executive Officer*

A large, stylized handwritten signature in blue ink, consisting of several loops and a long trailing line, is written over the printed name and title.