

Chairman's Statement

I am pleased to present the annual report of Tysan Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2019. During the year under review, the Group recorded a loss attributable to equity holders of the Company of HK\$767 million, equivalent to a loss of HK\$0.228 per share (31 December 2018: profit of HK\$361 million, equivalent to an earning of HK\$0.106 per share) while turnover was HK\$2,721 million (31 December 2018: HK\$2,971 million).

Mandatory Unconditional Cash Offer and Change of Company Name

On 27 March 2019, the Company became a subsidiary of Times Holdings II Limited ("Times Holdings II"). The mandatory unconditional general offers made by Times Holdings II (the "Offers") were closed on 2 May 2019.

In order to better reflect the brand by which the Group is better known, the Company completed the process of change of company name, and its stock short name of the shares of the Company for trading on The Stock Exchange of Hong Kong Limited became effective on 15 August 2019.

Share Premium Reduction

At the annual general meeting of the Company held on 12 June 2019, the shareholders of the Company (the "Shareholders") approved a special resolution to reduce the share premium of the Company, and the amount of HK\$10,004,287,912.58 standing to the credit of the share premium account was cancelled; the credit arising therefrom was transferred to the contributed surplus account of the Company which may be used in any manner permitted under the Company's bye-laws including payment of dividends to the Shareholders from time to time.

Dividend

The board (the "Board") of directors of the Company ("Directors") has resolved not to declare any final dividend (year ended 31 December 2018: Nil).

An interim dividend of HK\$0.21 per share was declared for the six months ended 30 June 2019 (period ended 30 June 2018: Nil). Special dividends of HK\$1.48, HK\$0.52 and HK\$0.5 per share of the Company were declared on 3 June 2019, 25 October 2019 and 12 December 2019 respectively.

At the Board meeting held on 23 March 2020, the Board has resolved to declare a special dividend of HK\$0.24 per share of the Company. Please refer to the Company's announcement dated 23 March 2020 for details.

Business Review

Foundation Piling

During the year under review, turnover of the Group's foundation piling segment was HK\$2,532 million (31 December 2018: HK\$2,531 million). The segment recorded a net loss of HK\$57 million as compared to loss of HK\$23 million last year. The loss was mainly due to market factors such as labour shortages, rising operating costs, low margin jobs awarded in prior years and market competitions which remain intense.

The Group's major contracts on hand include, inter alia, a public housing project at Pak Tin Estate Phase 10, the private development project at New Kowloon Inland Lots No. 6549, the commercial development projects at Kai Tak twin towers, Taikoo Place Phase 2B, Tsuen Wan Town Lot No. 428 on Ma Kok Street, Tsuen Wan Town Lot No. 49 on Sha Tsui Road, Inland Lot No. 9065 on Gage Street and Graham Street, TPTL 157, Sai Sha, Shap Sz Heung, Hutchison House redevelopment, and Pak Shek Kok TPTL 244 Tai Po.

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Business Review (Cont'd)

Property Development and Investment

Hong Kong Market

Disposal of subsidiaries holding the land parcel known as New Kowloon Inland Lot No. 6563

On 15 February 2019, the Group disposed of the entire issued capital of Twinpeak Assets Limited (“Twinpeak”) and all relating shareholder’s loan owing by Twinpeak at the date of completion, at a total consideration of approximately HK\$3,912 million. One of the principal assets of Twinpeak comprised the entire issued capital of Milway Development Limited, the owner of the development under construction on New Kowloon Inland Lot No. 6563 on Kai Tak Area 1L Site 2, Kai Tak, Kowloon, Hong Kong. Completion of the said disposal took place on 15 February 2019. Details of the said disposal have been set out in the announcements of the Company dated 1 February 2019 and 15 February 2019 respectively and the Company’s circular dated 25 February 2019.

Acquisition and disposal of companies holding CentreHollywood

On 28 February 2019, Fundamental Assets IV Limited (“Fundamental Assets IV”), a wholly-owned subsidiary of the Company, completed the acquisition of the entire issued capital of Superior Choice Holdings Limited (“Superior Choice”) and the relating shareholder’s loan as at the date of completion, at a total consideration of HK\$700 million. One of the principal assets of Superior Choice comprised the entire issued capital of Excel Pointer Limited, the owner of “CentreHollywood” situated at No. 151 Hollywood Road, Hong Kong. Details of the said acquisition have been set out in the announcement of the Company dated 28 February 2019.

On 19 June 2019, Fundamental Assets IV as vendor, the Company as the guarantor of Fundamental Assets IV, entered into a sale and purchase agreement with New Pursue Limited (the “Purchaser”) and Emperor International Holdings Limited as the guarantor of the Purchaser for the disposal of the entire issued share capital of Superior Choice together with the relating shareholder’s loan for a total consideration of HK\$595 million (subject to adjustments). The said disposal was completed on 19 August 2019. Details of the said disposal have been set out in the announcements of the Company dated 19 June 2019 and 19 August 2019 respectively.

PRC Market

Update on disposal of a subsidiary holding The Pinnacle in Shenyang (“Shenyang Disposal”)

On 13 November 2017, a wholly-owned subsidiary of the Company entered into an equity transfer agreement with Hainan HNA Infrastructure Investment Group Co., Ltd., a subsidiary of HNA Group Co., Ltd., for the disposal of the entire equity interests in Tysan Land (Shenyang) Limited which is holding The Pinnacle, a property development in Shenyang. The Shenyang Disposal was completed on 27 November 2019. Details of the Shenyang Disposal were set out in the announcements of the Company dated 13 November 2017, 4 December 2017 and 27 December 2017 respectively and the circular of the Company dated 7 December 2017.

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Business Review (Cont'd)

Investment Activities

Investment in Hainan Railway

The Group entered into a partnership agreement with Haikou Xincheng District Equity Investment Fund Management Co., Ltd.* (海口新城區股權投資基金管理有限公司) on 6 June 2018 and prepaid the capital contribution of RMB300 million intended for participating in a tender for acquisition of 38.73% interest in Hainan Railway Company Limited* (海南鐵路有限公司). For more details, please refer to the Company's announcement dated 6 June 2018. The said tender was suspended and the prepaid capital contribution was refunded in full on 27 November 2019.

Convertible Bonds

The Group agreed to subscribe for the convertible bonds (the "Bonds") on 13 June 2018, which were issued by Holistic Capital Investment Limited ("Holistic") in the principal amount of HK\$800 million on 30 June 2018 at the coupon rate of 8% for 3 years. Holistic is a wholly-owned subsidiary of Hong Kong Air Cargo Carrier Limited, which in turn is wholly-owned by Hong Kong Airlines Limited.

According to the terms of the Bonds, a potential equity investment in one of the world's leading air cargo terminal operator (the "Potential Investment") was expected to be consummated on or before 31 December 2018. As disclosed in the announcement of the Company dated 7 August 2019, the Board was aware that the Potential Investment had not yet been consummated. The Group has taken steps and also sought legal advice on recovery actions in connection with the Bonds. As disclosed in the announcements of the Company dated 11 September 2019 and 12 December 2019 respectively, all principal amount and coupon interest on the Bonds have been repaid and paid in full but the default interest on the Bonds have been waived. For more details, please refer to the Company's announcements dated 13 June 2018, 7 August 2019, 11 September 2019 and 12 December 2019 respectively and the Company's circular dated 24 July 2018.

Disposal of a Subsidiary of the Company

On 22 November 2019, Tysan Investment Limited ("TIL"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of the entire issued capital of Uni-Genius Investments Limited ("Uni-Genius") and shareholder's loan owed to TIL at a total consideration of HK\$343,200,000 at the date of completion. Completion of this disposal took place on 5 March 2020. Details of the said disposal have been set out in the announcement of the Company dated 22 November 2019.

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Prospects

Much of our focus last year was disposing the Group's non-core assets. To that end, most of our non-core investments have been successfully realized. Due to the growing uncertainty in the market, we do not see near-term investment opportunities that require large capital commitments, therefore it is in the best interest of our shareholders to distribute the proceeds through special dividends. The streamlining of our business enables us to re-focus on optimizing our foundation piling and construction business, which has long been our core competency, in the upcoming financial year.

Foundation piling and construction

We do not expect market fundamentals to change drastically in the foundation piling and construction industry in the upcoming year. Competition is expected to remain keen, with profit margin tightening due to rising labour cost, rising operating cost and strong competition from our peers. Nevertheless, as construction activity remains resilient and several large public projects are expected to commence work, there are signs of a modest pick-up of demand for foundation piling work. Our team's strong capabilities and track record are expected to enable us to be competitive in these potential tenders. Furthermore, we are constantly evaluating our team and fleet to ensure that we are optimizing our competitiveness.

We expect the COVID-19 will have some interruptions on our operations in the coming months. There were minor delays due to "Work From Home" arrangements and shortened working hours by the Government, our customers and other professionals. There were also some disruptions in the supply of raw materials due to lockdown of cities in China and other parts of Asia. However, compared to many other industries, such impact is relatively manageable for us and we already see signs of the situation abating.

Property Development and Investment

In light of the recent economic conditions and the outbreak of COVID-19, the Group will be cautious and prudent in assessing potential investment opportunities in properties. The Group remains in a net cash position and we would have the ability to raise meaningful capital for potential property investments should we come across any good opportunities in the sector.

Financial Review

The Group continues to adopt a prudent financial policy and sustain a sound capital structure with healthy cashflow. As at 31 December 2019, the Group's cash on hand was about HK\$2,892 million (31 December 2018: HK\$4,903 million) while total assets and net assets (after deducting non-controlling interests) were about HK\$4,900 million (31 December 2018: HK\$17,337 million) and HK\$2,322 million (31 December 2018: HK\$12,163 million), respectively. As at 31 December 2019, the Group's net current assets amounted to HK\$2,104 million (31 December 2018: HK\$15,523 million) and as at 31 December 2019, its interest-bearing borrowings were about HK\$157 million (31 December 2018: HK\$3,833 million (excluding those interest-bearing borrowings of a subsidiary to be disposed of)), out of which about HK\$40 million (31 December 2018: HK\$299 million) were borrowings at fixed interest rate. The Group's gearing ratio, calculated on the basis of total interest-bearing borrowings divided by shareholders' equity, was 7% as at 31 December 2019 (31 December 2018: 32%, excluding those interest-bearing borrowings of a subsidiary to be disposed of). Contingent liabilities in relation to guarantees of performance bonds increased from HK\$325 million as at 31 December 2018 to HK\$403 million as at 31 December 2019. Certain of the Group's assets with an aggregate carrying amount of about HK\$146 million have been pledged to secure certain banking facilities of the Group as at 31 December 2019. The Group's bank borrowings are primarily denominated in Hong Kong dollars. Currency exposure is being closely monitored and forward contracts will be considered as required.

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Remuneration Guidelines and Employment

The Group, including its subsidiaries in Hong Kong, Macau and the PRC, employed approximately 855 employees as at 31 December 2019. The Group's remuneration guidelines are primarily based on prevailing market salary levels and the performance of the respective business units and individuals concerned. Fringe benefits include provident fund, medical insurance and training. In addition, share options may also be granted in accordance with the terms of the Group's approved share option scheme.

Appreciation

On behalf of the Board, I would also like to express my sincere gratitude to all our staff for their dedication, hard work and contribution during the year and to thank all our shareholders for their support.

On behalf of the Board

Justin WAI

Chairman

Hong Kong

23 March 2020