

Report of the Directors

The board (“the Board”) of directors of the Company (“Director(s)”) herein present their report and the audited financial statements of the Group for the year ended 31 December 2019.

Change of Company Name

Pursuant to a special resolution passed at the annual general meeting of the Company held on 12 June 2019 and approved by the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong, the name of the Company was changed from “Hong Kong International Construction Investment Management Group Co., Limited” to “Tysan Holdings Limited” and the adoption of “泰昇集團控股有限公司” in place of “香港國際建設投資管理集團有限公司” as the secondary name of the Company took effect on 19 June 2019.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 1 to the financial statements.

There were no significant changes in the nature of the Group’s principal activities during the year.

Details of the business review information are set out in the section headed “Chairman’s Statement” on pages 2 to 6 of this annual report.

Environmental Policies and Performance

The Group recognises environmental protection is of vital importance to the long term development of the Group. In order to minimise the environmental impact, the Group will continue to review and improve the effectiveness of its management practices from time to time.

“Environmental, Social and Governance Report” will be published by the end of June 2020. For details, please refer to the Company’s website.

Compliance with Laws and Regulations

The Group’s operations are mainly carried out by the Company’s subsidiaries in Hong Kong and the People’s Republic of China (the “PRC”) while the Company itself was incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The Group has allocated resources to ensure its operations are in compliance with relevant laws and regulations in Hong Kong, Bermuda, the PRC and Macau.

As far as the Board and management are aware of, the Group has complied, in all material respects, with the relevant laws and regulations which have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance of the applicable laws and regulations by the Group.

Risks and Uncertainties

Principal risks and uncertainties that the Company may face have been disclosed in the section headed “Chairman’s Statement” on pages 2 to 6 of this annual report. In addition, details of the Group’s financial risk management are disclosed in note 44 to the financial statements of this annual report.

Report of the Directors

Relationships with Employees, Customers and Suppliers

The Directors are of view that maintaining a good working relationship with its employees, customers and suppliers are the keys to the sustainable development of the Group. During the year, there was no significant dispute between the Group and its employees, customers and suppliers.

Results and Dividends

The Group's loss for the year ended 31 December 2019 and the Group's financial position at that date are set out in the financial statements on pages 49 to 153.

Special dividends of HK\$1.48, HK\$0.52 and HK\$0.50 per ordinary share were paid on 4 July 2019, 2 December 2019 and 23 January 2020, respectively, and an interim dividend of HK\$0.21 per ordinary share was paid on 30 September 2019. The Board has resolved not to recommend any final dividend in respect of the year ended 31 December 2019.

On 23 March 2020, the Board has resolved to declare a special dividend of HK\$0.24 per ordinary share of the Company.

Summary Financial Information

The following table summarises the consolidated results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements. The summary does not form part of the audited financial statements.

	Year ended 31 December 2019 HK\$'000	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000	Period from 1 April 2016 to 31 December 2016 HK\$'000	Year ended 31 March 2016 HK\$'000
Profit/(loss) attributable to ordinary equity holders of the Company	<u>(766,655)</u>	<u>360,908</u>	<u>6,004</u>	<u>134,050</u>	<u>396,874</u>
Total assets	<u>4,899,657</u>	<u>17,337,359</u>	<u>19,769,192</u>	<u>5,526,957</u>	<u>5,608,055</u>
Total liabilities	<u>2,577,791</u>	<u>5,174,696</u>	<u>7,551,191</u>	<u>2,567,227</u>	<u>2,830,863</u>
Equity attributable to ordinary equity holders of the Company	<u>2,321,866</u>	<u>12,162,665</u>	<u>12,217,991</u>	<u>2,949,371</u>	<u>2,688,403</u>
Non-controlling interests	<u>–</u>	<u>(2)</u>	<u>10</u>	<u>10,359</u>	<u>88,789</u>
	<u>4,899,657</u>	<u>17,337,359</u>	<u>19,769,192</u>	<u>5,526,957</u>	<u>5,608,055</u>

Report of the Directors

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 31 and 32 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Distributable Reserves

At the end of the reporting period, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981, amounted to HK\$1,345,924,000.

Major Customers and Suppliers

During the year under review, sales to the Group's five largest customers accounted for 44% of the total sales for the year and sales to the largest customer included therein amounted to 14%. Purchases from the Group's five largest suppliers accounted for 34% of the total purchases for the year.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Directors

The Directors for the year and up to the date of this report were:

Executive Directors:

Mr. Fung Chiu Chak, Victor	
Mr. Sun Kin Ho Steven	(resignation effective from 1 January 2020)
Mr. Chen Chao	(resignation effective from 3 May 2019)
Mr. He Jiafu	(resignation effective from 3 May 2019)
Mr. Liu Junchun	(resignation effective from 3 May 2019)
Mr. Huang Qijun	(resignation effective from 3 May 2019)
Mr. Guo Ke	(resignation effective from 3 May 2019)
Mr. Zhang Peihua	(resignation effective from 3 May 2019)

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Directors (Cont'd)

Non-executive Directors:

Mr. Justin Wai	(appointment effective from 11 April 2019)
Mr. Wang Tianbing	(appointment effective from 11 April 2019)
Mr. David Robert McClure	(appointment effective from 11 April 2019)
Mr. Lau Che Hang Alex	(appointment effective from 11 April 2019)
Mr. Wu Charles Hsing-yuan	(appointment effective from 11 April 2019)
Mr. Yuen Pak Man	(appointment effective from 11 April 2019)
Mr. Tang King Shing	(resignation effective from 3 May 2019)
Mr. Yang Han Hsiang	(resignation effective from 3 May 2019)

Independent Non-executive Directors:

Mr. Fan Chor Ho	
Mr. Tse Man Bun	
Mr. Lung Chee Ming, George	
Mr. Li Kit Chee	
Mr. Chong Kin Ho	(appointment effective from 21 January 2019 and resignation effective from 3 May 2019)

On 23 March 2020, the Board announced that Mr. Lau Che Hang Alex and Mr. Wu Charles Hsing-yuan will resign as non-executive directors of the Company and Ms. Gu Ye and Ms. Hou Xiangjia will be appointed as non-executive directors of the Company with effect from 1 April 2020.

In accordance with the Company's Bye-laws, the Directors who will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee and as at the date of this report still considers them to be independent.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 7 to 9 of the annual report.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which requires the Company, in order to terminate such contract, to give a period of notice of more than one year or to pay compensation or make other payments equivalent to more than one year's emoluments.

Report of the Directors

Permitted Indemnity Provision

Pursuant to the Bye-laws of the Company and subject to the relevant provisions therein, the Directors, the company secretary of the Company and other officers acting in relation to the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by or by reason of any act done about the execution of the duties of their respective offices.

The Company has arranged appropriate insurance cover for the Directors, the company secretary of the Company and other officers in respect of legal actions against one or more of them in the course of execution of their respective duties in good faith during the year.

Directors' Interests in Transactions, Arrangements or Contracts

Saved as disclosed in note 38 to the financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding companies of the Company or any of the Company's subsidiaries was a party during the year.

Directors' and Chief Executive's Interests and Long Positions in Shares and Underlying Shares

At the end of the reporting period, none of the Directors and chief executive of the Company ("Chief Executive") had registered an interest or long positions in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Subsequent to the end of the reporting period and the date of this report, the interests and long positions of the Directors and Chief Executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, was as follows:

Long Position in Shares of the Company

Name of director	Number of shares beneficially owned
Fung Chiu Chak, Victor	168,380,000

As at 31 December 2019, none of the Directors or Chief Executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Report of the Directors

Directors' and Chief Executive's Rights to Acquire Shares or Debentures

Apart from those disclosed under the heading "Directors' and Chief Executive's interests and long positions in shares and underlying shares" above and in the section headed "Share options scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children or Chief Executive or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Equity-linked Arrangements

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 8 August 2012, the Company adopted a share option scheme (the "Share Option Scheme"). Further details of the Share Option Scheme are disclosed in note 32 to the financial statements.

On 17 December 2018, a grantee exercised share options of the Company (the "Share Options") to subscribe for 1,200,000 shares of the Company (the "Shares") and 1,200,000 Shares were issued as a result of the exercise of the Share Options on 15 January 2019.

Following the close of mandatory unconditional general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by Times Holdings II Limited ("Times Holdings II") and its concert parties and to make comparable offers to the optionholders for all share options (which confer rights on the optionholders to subscribe for new Shares) by way of cancellation of the share options (the "Option Offers") on 2 May 2019, valid acceptances in respect of a total of 309,610,000 Share Options under the Option Offers (of which 232,680,000 Share Options had an exercise price of HK\$1.75 per Share and 76,930,000 Share Options had an exercise price of HK\$1.90 per Share), representing all of the Share Options outstanding as at the date of the composite document which was issued on 11 April 2019. Accordingly, no Share Option was outstanding as at 31 December 2019 under the Share Option Scheme. For more details, please refer to the joint announcement issued by the Company and Times Holdings II dated 2 May 2019.

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Equity-linked Arrangements (Cont'd)

Share option scheme (Cont'd)

The following table discloses the movements in the Share Options outstanding during the year:

Name or category of participant	Number of share options						Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$ per share
	At 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2019			
Directors									
Fung Chiu Chak, Victor	20,000,000	-	-	(20,000,000)	-	-	20-7-2018	20-7-2018 to 19-7-2028 ⁽¹⁾	1.75
Sun Kin Ho Steven [†]	33,630,000	-	-	(33,630,000)	-	-	18-10-2018	18-10-2018 to 17-10-2028 ⁽²⁾	1.90
Fan Chor Ho	3,400,000	-	-	(3,400,000)	-	-	20-7-2018	20-7-2018 to 19-7-2028 ⁽¹⁾	1.75
Tse Man Bun	3,400,000	-	-	(3,400,000)	-	-	20-7-2018	20-7-2018 to 19-7-2028 ⁽¹⁾	1.75
Lung Chee Ming, George	3,400,000	-	-	(3,400,000)	-	-	20-7-2018	20-7-2018 to 19-7-2028 ⁽¹⁾	1.75
Li Kit Chee	3,400,000	-	-	(3,400,000)	-	-	20-7-2018	20-7-2018 to 19-7-2028 ⁽¹⁾	1.75
Past directors									
Liu Junchun	20,000,000	-	-	(20,000,000)	-	-	20-7-2018	20-7-2018 to 19-7-2028 ⁽¹⁾	1.75
Huang Qijun	34,000,000	-	-	(34,000,000)	-	-	20-7-2018	20-7-2018 to 19-7-2028 ⁽¹⁾	1.75
Tang King Shing	8,000,000	-	-	(8,000,000)	-	-	20-7-2018	20-7-2018 to 19-7-2028 ⁽¹⁾	1.75
He Jiafu	15,000,000	-	-	(15,000,000)	-	-	18-10-2018	18-10-2018 to 17-10-2028 ⁽²⁾	1.90
Guo Ke	15,000,000	-	-	(15,000,000)	-	-	18-10-2018	18-10-2018 to 17-10-2028 ⁽²⁾	1.90
Yang Han Hsiang	8,000,000	-	-	(8,000,000)	-	-	18-10-2018	18-10-2018 to 17-10-2028 ⁽²⁾	1.90
Mu Xianyi	20,000,000	-	-	(20,000,000)	-	-	20-7-2018	20-7-2018 to 19-7-2028 ⁽¹⁾	1.75
Wong Tai Lun Kenneth	15,000,000	-	-	(15,000,000)	-	-	20-7-2018	20-7-2018 to 19-7-2028 ⁽¹⁾	1.75
Leung Kai Cheung	1,700,000	-	-	(1,700,000)	-	-	20-7-2018	20-7-2018 to 25-10-2019 ⁽³⁾	1.75
33 individuals									
In aggregate	106,900,000	-	-	(102,180,000)	(4,720,000)	-	20-7-2018	20-7-2018 to 19-7-2028 ⁽⁴⁾	1.75
3 individuals									
In aggregate	5,300,000	-	-	(5,300,000)	-	-	18-10-2018	18-10-2018 to 17-10-2028 ⁽⁵⁾	1.90
	<u>316,130,000</u>	<u>-</u>	<u>-</u>	<u>(311,410,000)</u>	<u>(4,720,000)</u>	<u>-</u>			

Report of the Directors

Equity-linked Arrangements (Cont'd)

Share option scheme (Cont'd)

Notes to the table of Share Options during the year:

- (1) Subject to the terms of the Share Option Scheme, each Grantee was allowed to exercise up to 50% of the Share Options granted from the date of grant up to and including 19 July 2028. Thereafter, each Grantee was allowed to exercise the remaining 50% of the Share Options granted from 1 January 2019 up to and including 19 July 2028.
 - (2) Subject to the terms of the Share Option Scheme, each Grantee was allowed to exercise up to 50% of the Share Options granted from the date of grant up to and including 17 October 2028. Thereafter, each Grantee was allowed to exercise the remaining 50% of the Share Options granted from 1 January 2019 up to and including 17 October 2028.
 - (3) Mr. Leung Kai Cheung's resignation as an independent non-executive Director became effective on 26 October 2018 due to health reason. Subject to the terms of Share Option Scheme, he was allowed to exercise up to 50% of the Share Options granted from the date of grant up to and within 12 months after his resignation, 25 October 2019. The remaining 50% of the Share Options were lapsed from the date of his resignation.
 - (4) Subject to the terms of the Share Option Scheme, each Grantee was allowed to exercise up to 30% of the Share Options granted from the date of grant up to and including 19 July 2028. Thereafter, each Grantee was allowed to exercise a further 30% of the Share Options granted from 1 January 2019 up to and including 19 July 2028 and to exercise the remaining 40% of Share Options granted from 1 January 2020 up to and including 19 July 2028.
 - (5) Subject to the terms of the Share Option Scheme, each Grantee was allowed to exercise up to 30% of the Share Options granted from the date of grant up to and including 17 October 2028. Thereafter, each Grantee was allowed to exercise a further 30% of the Share Options granted from 1 January 2019 up to and including 17 October 2028 and to exercise the remaining 40% of Share Options granted from 1 January 2020 up to and including 17 October 2028.
- * The exercise price of the Share Options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- # Mr. Sun Kin Ho Steven's resignation as an executive Director became effective on 1 January 2020.

Save for the above, at no time during the year ended 31 December 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or Chief Executive or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate under the Share Option Scheme.

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Substantial Shareholders' Interests in Shares and Underlying Shares

At the end of the reporting period, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in shares:

Name	Capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Blackstone Group Management L.L.C. ⁽¹⁾	Interest of controlled corporation	2,524,526,781	75.00
Blackstone Holdings IV GP L.P. ⁽¹⁾	Interest of controlled corporation	2,524,526,781	75.00
Blackstone Holdings IV GP Limited Partner L.L.C. ⁽¹⁾	Interest of controlled corporation	2,524,526,781	75.00
Blackstone Holdings IV GP Management (Delaware) L.P. ⁽¹⁾	Interest of controlled corporation	2,524,526,781	75.00
Blackstone Holdings IV GP Management L.L.C. ⁽¹⁾	Interest of controlled corporation	2,524,526,781	75.00
Blackstone Holdings IV L.P. ⁽¹⁾	Interest of controlled corporation	2,524,526,781	75.00
SCHWARZMAN Stephen A. ⁽¹⁾	Interest of controlled corporation	2,524,526,781	75.00
The Blackstone Group Inc. ⁽¹⁾ (formerly known as The Blackstone Group L.P.)	Interest of controlled corporation	2,524,526,781	75.00
Blackstone Real Estate Associates Asia II L.P. ⁽²⁾	Interest of controlled corporation	2,459,696,850	73.07
Blackstone Real Estate Partners Asia II L.P. ⁽²⁾	Interest of controlled corporation	2,459,696,850	73.07
BREP Asia II Holdings I (NQ) L.P. ⁽²⁾	Interest of controlled corporation	2,459,696,850	73.07
BREP Asia II Holdings I (NQ) Pte. Ltd. ⁽²⁾	Interest of controlled corporation	2,459,696,850	73.07
BREP Asia II L.L.C. ⁽²⁾	Interest of controlled corporation	2,459,696,850	73.07
BREP Asia II Ltd. ⁽²⁾	Interest of controlled corporation	2,459,696,850	73.07
Times Holdings I Limited ⁽²⁾	Interest of controlled corporation	2,459,696,850	73.07
Times Holdings II	Beneficial owner	2,459,696,850	73.07
Chen Wai Wai Vivien ⁽³⁾	Executor or administrator	286,100,000	8.50
Chow Suk Han, Anna ⁽³⁾	Executor or administrator	286,100,000	8.50
Lee Pui Ling, Angelina ⁽³⁾	Executor or administrator	286,100,000	8.50

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Substantial Shareholders' Interests in Shares and Underlying Shares (Cont'd)

Long positions in shares: (Cont'd)

Name	Capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Chen's Group International Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Chen's Group Holdings Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Nan Fung International Holdings Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Nan Fung Group Holdings Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
NF Investment Holdings Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Keymark Associates Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Gavast Estates Limited	Beneficial owner	286,100,000	8.50
中國交通建設股份有限公司 ⁽⁵⁾	Interest of controlled corporation	171,000,000	5.08
中國路橋工程有限責任公司 ⁽⁵⁾	Interest of controlled corporation	171,000,000	5.08
中交疏浚(集團)股份有限公司 ⁽⁵⁾	Interest of controlled corporation	171,000,000	5.08
香港海事建設有限公司	Beneficial owner	171,000,000	5.08

Notes:

1. These parties were deemed to have interests in long positions in 2,524,526,781 Shares under the SFO by virtue of their equity interests in Tides Holdings II Ltd. and Times Holdings II.
2. These parties were deemed to have interests in long positions in 2,459,696,850 Shares under the SFO by virtue of their equity interests in Times Holdings II.
3. These parties were executors of estate of Chen Din Hwa and deemed to have interests in long positions in 286,100,000 Shares under the SFO by a trust holding equity interests in Gavast Estates Limited.
4. These parties were deemed to have interests in long positions in 286,100,000 Shares under the SFO by virtue of their equity interests in Gavast Estates Limited.
5. These parties were deemed to have interests in long positions in 171,000,000 Shares under the SFO by virtue of their equity interests in 香港海事建設有限公司.

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Substantial Shareholders' Interests in Shares and Underlying Shares (Cont'd)

Subsequent to the end of the reporting period and the date of this report, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in shares:

Name	Capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Blackstone Group Management L.L.C. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Holdings IV GP L.P. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Holdings IV GP Limited Partner L.L.C. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Holdings IV GP Management (Delaware) L.P. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Holdings IV GP Management L.L.C. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Holdings IV L.P. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
SCHWARZMAN Stephen A. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
The Blackstone Group Inc. ⁽¹⁾ (formerly known as The Blackstone Group L.P.)	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Real Estate Associates Asia II L.P. ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
Blackstone Real Estate Partners Asia II L.P. ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
BREP Asia II Holdings I (NQ) L.P. ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
BREP Asia II Holdings I (NQ) Pte. Ltd. ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
BREP Asia II L.L.C. ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
BREP Asia II Ltd. ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
Times Holdings I Limited ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
Times Holdings II	Beneficial owner	2,291,316,850	68.07
Chen Wai Wai Vivien ⁽³⁾	Executor or administrator	286,100,000	8.50
Chow Suk Han, Anna ⁽³⁾	Executor or administrator	286,100,000	8.50
Lee Pui Ling, Angelina ⁽³⁾	Executor or administrator	286,100,000	8.50
Chen's Group International Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Chen's Group Holdings Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50

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Substantial Shareholders' Interests in Shares and Underlying Shares (Cont'd)

Long positions in shares: (Cont'd)

Name	Capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Nan Fung International Holdings Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Nan Fung Group Holdings Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
NF Investment Holdings Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Keymark Associates Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Gavast Estates Limited	Beneficial owner	286,100,000	8.50
中國交通建設股份有限公司 ⁽⁵⁾	Interest of controlled corporation	171,000,000	5.08
中國路橋工程有限責任公司 ⁽⁵⁾	Interest of controlled corporation	171,000,000	5.08
中交疏浚(集團)股份有限公司 ⁽⁵⁾	Interest of controlled corporation	171,000,000	5.08
香港海事建設有限公司	Beneficial owner	171,000,000	5.08
Fung Chiu Chak, Victor ⁽⁶⁾	Interest of controlled corporation	168,380,000	5.00
Dragon's Eye Pacific Limited	Beneficial owner	168,380,000	5.00

Notes:

1. These parties were deemed to have interests in long positions in 2,356,146,781 Shares under the SFO by virtue of their equity interests in Tides Holdings II Ltd. and Times Holdings II.
2. These parties were deemed to have interests in long positions in 2,291,316,850 Shares under the SFO by virtue of their equity interests in Times Holdings II.
3. These parties were executors of estate of Chen Din Hwa and deemed to have interests in long positions in 286,100,000 Shares under the SFO by a trust holding equity interests in Gavast Estates Limited.
4. These parties were deemed to have interests in long positions in 286,100,000 Shares under the SFO by virtue of their equity interests in Gavast Estates Limited.
5. These parties were deemed to have interests in long positions in 171,000,000 Shares under the SFO by virtue of their equity interests in 香港海事建設有限公司.
6. Mr. Fung Chiu Chak, Victor was deemed to have interests in long positions in 168,380,000 Shares under the SFO by virtue of his equity interests in Dragon's Eye Pacific Limited.

Apart from the foregoing, as at 31 December 2019, no person, other than the Directors and Chief Executive, whose interests are set out in the section headed "Directors' and chief executive's interests and long positions in shares and underlying shares" above, had registered an interest or short position in the Shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

Report of the Directors

Connected Transactions

(a) Non-exempt continuing connected transactions

2017 Master Agreement

On 6 July 2017, the Company (for itself and on behalf of other members of the Group) entered into a new master agreement (the “2017 Master Agreement”) with Mr. Fung Chiu Chak, Victor (“Mr. Fung”) (for himself and on behalf of companies owned or controlled by Mr. Fung, collectively “Fung Group”) to regulate the business relationship and subcontracting of works among them (including their subsidiaries) for a term commencing from 6 July 2017 and ended on 31 December 2019, both days inclusive.

During the year ended 31 December 2019, Tysan Building Construction Company Limited (“TBC”) subcontracted rental and engineering works relating to tower cranes of approximately HK\$1,372,000 to Proficiency Engineering Limited (“PEN”).

PEN is a wholly-owned subsidiary of the Company, while TBC is controlled by Mr. Fung. Mr. Fung is an executive director of the Company. As such, Mr. Fung and companies owned or controlled by Mr. Fung as to 30% or more are connected persons of the Company pursuant to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Thus, the transactions mentioned above constitute continuing connected transactions for the Company under the Listing Rules.

BIM Master Agreement

On 22 September 2017, the Company (for itself and for and on behalf of the subsidiaries of the Company) and Hainan Marine Construction Project Management Contracting Company Limited (“Hainan Marine Construction”) (for itself and for and on behalf of its subsidiaries and companies controlled by its holding companies from time to time) entered into a master agreement (the “BIM Master Agreement”) in relation to the provision of the preparation of building information model (“BIM”), running of the conflict tests and consultation on BIM related matters (“BIM Modelling Services”) and a platform for managing, editing and searching BIM documents and BIM models (“BIM Platform”) by members of HNA Group Co., Ltd. (“HNA Group”) to members of the Group for a term commencing from 22 September 2017 and ending on 31 December 2022, both days inclusive.

During the period from 1 January 2019 to 27 March 2019, Hainan Marine Construction charged Milway Development Limited, a then wholly-owned subsidiary of the Company, for the provision of BIM Platform services amounted to approximately HK\$19,000.

HNA Finance I Co., Ltd. (“HNA Finance I”), the then controlling shareholder of the Company, is a member of HNA Group. Hainan Marine Construction is a non-wholly-owned subsidiary of HNA Group and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions mentioned above constitute continuing connected transactions for the Company under the Listing Rules. Upon completion of the transfer of approximately 69.54% of issued shares of the Company by HNA Finance I to Times Holdings II on 27 March 2019, Hainan Marine Construction ceased to be a connected person of the Company.

Report of the Directors

Connected Transactions (Cont'd)

(a) Non-exempt continuing connected transactions (Cont'd)

Management fee income from the Funds

On 13 October 2017, Hisea International Co., Limited (“Hisea International”), Benefit Developments Limited (“BDL”) (a wholly-owned subsidiary of the Company) and HKICIM (GP) II Limited (“HKICIM (GP) II”) (a wholly-owned subsidiary of the Company) entered into the amended and restated exempted limited partnership agreement (the “Fund II Partnership Agreement”) in relation to the formation of HKICIM Fund II, L.P. (“Fund II”) and the subscription agreement in relation to the capital commitment of BDL to Fund II. Pursuant to the Fund II Partnership Agreement, HKICIM (GP) II, as a general partner of Fund II, is responsible for the day-to-day operation and management of Fund II, and will receive an annual management fee equal to 1% of the aggregate capital commitments of Fund II as at 31 December of each calendar year as compensation for managing affairs of Fund II. During the period from 1 January 2019 to 27 March 2019, HKICIM (GP) II has recorded management fee income of HK\$14,208,000 from Fund II.

On 30 November 2017, Hisea International, Benefit Developments III Limited (“BDL III”) (a wholly-owned subsidiary of the Company) and HKICIM (GP) III Limited (“HKICIM (GP) III”) (a wholly-owned subsidiary of the Company) entered into the amended and restated exempted limited partnership agreement (the “Fund III Partnership Agreement”) in relation to the formation of HKICIM Fund III, L.P. (“Fund III”) and the subscription agreement in relation to the capital commitment of BDL III to Fund III. Pursuant to the Fund III Partnership Agreement, HKICIM (GP) III, as a general partner of Fund III, is responsible for the day-to-day operation and management of Fund III, and will receive an annual management fee equal to 1% of the aggregate capital commitments of Fund III as at 31 December of each calendar year as compensation for managing affairs of Fund III. During the period from 1 January 2019 to 27 March 2019, HKICIM (GP) III has recorded management fee income of approximately HK\$9,004,000 from Fund III.

On 6 March 2018, HKICIM (GP) V Limited (“HKICIM (GP) V”) (a wholly-owned subsidiary of the Company) and Hong Kong International Investment Group Co., Limited (“Hong Kong IIG”) entered into the amended and restated exempted limited partnership agreement (the “Fund V Partnership Agreement”) in relation to the formation of HKICIM Fund V, L.P. (“Fund V”). Pursuant to the Fund V Partnership Agreement, HKICIM (GP) V, as a general partner of Fund V, is responsible for the day-to-day operation and management of Fund V, and will receive an annual management fee equal to 2% of the committed fund size of Fund V as compensation for managing affairs of Fund V. During the period from 1 January 2019 to 27 March 2019, HKICIM (GP) V has recorded management fee income of approximately HK\$7,068,000 from Fund V.

Hisea International is a wholly-owned subsidiary of HNA Holding Group Co., Ltd. while Hong Kong IIG is a non-wholly-owned subsidiary of HNA Holding Group Co., Ltd., which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company. Accordingly, Fund II, Fund III and Fund V (collectively, the “Funds”) are associates of HNA Finance I, and were therefore connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transactions mentioned above constitute continuing connected transactions for the Company under the Listing Rules. Upon completion of the transfer of approximately 69.54% of issued shares of the Company by HNA Finance I to Times Holdings II on 27 March 2019, the Funds ceased to be connected persons of the Company.

Report of the Directors

Connected Transactions (*Cont'd*)

(a) Non-exempt continuing connected transactions (*Cont'd*)

Pursuant to Rule 14A.40 of the Listing Rules, the independent non-executive directors have reviewed the above continuing connected transactions and confirmed that these continuing connected transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The amounts in respect of the continuing connected transactions mentioned above during the year under review have not exceeded the annual cap, where applicable, for the transactions.

In respect of the continuing connected transactions mentioned above, the Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year under review.

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Review of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued the unqualified letter containing the findings and conclusions in respect of the continuing connected transactions during the year disclosed above by the Group (with a copy provided to the Hong Kong Stock Exchange) in accordance with Rule 14A.56 of the Listing Rules and confirmed that nothing has come to their attention that causes them to believe that the continuing connected transactions:

- (1) have not been approved by the Board;
- (2) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;
- (3) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (4) have exceeded the cap disclosed in the respective circulars of the Company dated 15 August 2017 (in respect of 2017 Master Agreement), 26 October 2017 (in respect of BIM Master Agreement), 4 November 2017 (in respect of management fee income from Fund II) and 21 December 2017 (in respect of management fee income from Fund III), and the announcement dated 6 March 2018 (in respect of management fee income from Fund V).

Report of the Directors

Connected Transactions (Cont'd)

(b) Consultancy agreement with Mr. Sun Kin Ho Steven (“Mr. Sun”)

On 27 December 2019, Mr. Sun, a then executive director of the Company, entered into a consultancy agreement with Fundamental Assets Limited, a wholly-owned subsidiary of the Company. Pursuant to the consultancy agreement, Mr. Sun will be engaged as a consultant to provide consultancy services to the Group for a period of two years, with effect from 1 January 2020 for a monthly fixed fee of HK\$320,000 and a discretionary incentive payment in addition to his monthly consultancy fee. The consultancy agreement may be terminable by either party giving the other party not less than two months’ prior notice in writing.

Pursuant to Rule 14A.07(2) of the Listing Rules, Mr. Sun remains a connected person of the Company for a period of 12 months from the date of his resignation as an executive director of the Company. The entering into of the consultancy agreement between Fundamental Assets Limited and Mr. Sun and the transactions contemplated thereunder therefore constitute a connected transaction for the Company.

(c) Sub-lease of a closed storage space

On 11 December 2018 and 5 March 2020, Proficiency Equipment Limited (“PEL”) and TBC entered into licence agreements for sub-lease of a closed storage space in PEL’s warehouse at a licence fee of (i) HK\$10,000 per month from 15 January 2019 to 30 November 2019 and (ii) HK\$13,000 per month from 1 December 2019 to 31 December 2020. During the year ended 31 December 2019, PEL recorded licence income of approximately HK\$115,000 from TBC.

PEL is a wholly-owned subsidiary of the Company, while TBC is controlled by Mr. Fung. Mr. Fung is an executive director of the Company. As such, Mr. Fung and companies owned or controlled by Mr. Fung as to 30% or more are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Thus, the transaction mentioned above constitutes continuing connected transactions for the Company under the Listing Rules.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total number of issued shares were held by the public as at the date of this report.

Auditor

Ernst & Young retires and a resolution for reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

Justin Wai
Chairman

Hong Kong
23 March 2020