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## **TYSAN HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 687)**

### **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

The board of directors (the “Board”) of Tysan Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 as follows:

#### **Consolidated Statement of Profit or Loss**

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>REVENUE</b>	3	<b>2,721,278</b>	2,971,170
Cost of sales		<u>(2,706,625)</u>	<u>(2,846,748)</u>
Gross profit		<b>14,653</b>	124,422
Other income and gains	3	<b>244,258</b>	220,518
Gain/(loss) on disposal of subsidiaries, net	17	<b>(567,469)</b>	1,030,055
Selling expenses		<b>(8,564)</b>	(24,553)
Administrative expenses		<b>(173,582)</b>	(297,789)
Changes in fair value of an investment property		<b>(105,000)</b>	–
Other expenses, net		<b>(86,387)</b>	(498,837)
Finance costs	4	<b>(41,992)</b>	(60,584)
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>(724,083)</b>	493,232
Income tax expense	6	<b>(42,570)</b>	(132,336)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b><u>(766,653)</u></b>	<b><u>360,896</u></b>
Attributable to:			
Ordinary equity holders of the Company		<b>(766,655)</b>	360,908
Non-controlling interests		<b>2</b>	(12)
		<b><u>(766,653)</u></b>	<b><u>360,896</u></b>
<b>EARNINGS/(LOSS) PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY EQUITY</b>			
<b>HOLDERS OF THE COMPANY</b>	8		
Basic		<b><u>(HK22.78 cents)</u></b>	<u>HK10.64 cents</u>
Diluted		<b><u>(HK22.78 cents)</u></b>	<u>HK10.59 cents</u>

## Consolidated Statement of Comprehensive Income

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<u>(766,653)</u>	<u>360,896</u>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES)</b>		
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange difference on translation of foreign operations	(7,117)	(62,413)
Release of exchange difference upon disposal of subsidiaries	38,405	(73,971)
Release of exchange difference upon deregistration of a subsidiary	<u>–</u>	<u>(561)</u>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR, NET OF TAX</b>	<u>31,288</u>	<u>(136,945)</u>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR</b>	<u><u>(735,365)</u></u>	<u><u>223,951</u></u>
Attributable to:		
Ordinary equity holders of the Company	(735,367)	223,963
Non-controlling interests	<u>2</u>	<u>(12)</u>
	<u><u>(735,365)</u></u>	<u><u>223,951</u></u>

## Consolidated Statement of Financial Position

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>177,297</b>	254,270
Right-of-use assets		<b>118,132</b>	–
Prepayments, deposits and other receivables		<b>2,008</b>	2,197
Deferred tax assets		–	367
		<hr/>	<hr/>
Total non-current assets		<b>297,437</b>	256,834
<b>CURRENT ASSETS</b>			
Properties under development		–	7,476,000
Inventories		<b>22,563</b>	32,312
Trade receivables	10	<b>226,660</b>	167,135
Contract assets		<b>1,113,421</b>	942,414
Prepayments, deposits and other receivables	11	<b>38,475</b>	1,033,451
Financial assets at fair value through profit or loss	12	–	1,292,262
Tax prepaid		–	30,778
Structured deposits		–	580,686
Pledged bank balances		–	37,469
Restricted cash		–	1,430,897
Cash and cash equivalents		<b>2,891,781</b>	2,854,257
		<hr/>	<hr/>
Assets of disposal groups classified as held for sale	9	<b>4,292,900</b> <b>309,320</b>	15,877,661 1,202,864
		<hr/>	<hr/>
Total current assets		<b>4,602,220</b>	17,080,525

## Consolidated Statement of Financial Position (continued)

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade and retention payables, accruals and provision	13	<b>611,816</b>	734,742
Dividend payable	7(a)	<b>1,683,018</b>	–
Other payables, deposits received and receipts in advance		<b>1,360</b>	3,755
Contract liabilities		<b>46,833</b>	46,414
Interest-bearing bank borrowings		<b>54,135</b>	232,952
Guaranteed notes		<b>40,390</b>	–
Lease liabilities		<b>10,121</b>	–
Tax payable		<b>50,595</b>	80,136
		<b>2,498,268</b>	1,097,999
Liabilities directly associated with the assets classified as held for sale	9	–	459,272
Total current liabilities		<b>2,498,268</b>	1,557,271
<b>NET CURRENT ASSETS</b>			
		<b>2,103,952</b>	15,523,254
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>2,401,389</b>	15,780,088
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>62,577</b>	3,001,340
Interest-bearing other borrowing		–	300,000
Guaranteed notes		–	298,857
Lease liabilities		<b>8,737</b>	–
Deferred tax liabilities		<b>8,209</b>	17,228
Total non-current liabilities		<b>79,523</b>	3,617,425
Net assets		<b>2,321,866</b>	12,162,663
<b>EQUITY</b>			
Equity attributable to ordinary equity holders of the Company			
Issued capital		<b>336,603</b>	336,483
Reserves		<b>1,985,263</b>	11,826,182
		<b>2,321,866</b>	12,162,665
Non-controlling interests		–	(2)
Total equity		<b>2,321,866</b>	12,162,663

## Notes:

### 1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases when the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

#### **New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

#### **As a lessee – Leases previously classified as operating leases**

##### *Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for various office properties, warehouses, staff quarters and machinery. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

## 1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### As a lessee – Leases previously classified as operating leases (continued)

#### *Impacts on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease; and
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

#### **Financial impact at 1 January 2019**

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	<i>HK\$'000</i>
<b>Assets</b>	
Increase in right-of-use assets	146,976
Decrease in property, plant and equipment	<u>(103,308)</u>
Increase in total assets	<u><u>43,668</u></u>
<b>Liabilities</b>	
Increase in lease liabilities and total liabilities	<u><u>43,668</u></u>
The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:	
<b>Operating lease commitments as at 31 December 2018 (HK\$'000)</b>	<b>60,093</b>
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019 (HK\$'000)	<u>(14,187)</u>
	45,906
Weighted average incremental borrowing rate as at 1 January 2019	<u>5.375%</u>
<b>Discounted operating lease commitments and lease liabilities as at 1 January 2019 (HK\$'000)</b>	<b><u><u>43,668</u></u></b>

## 2. OPERATING SEGMENT INFORMATION

2019

	Foundation piling HK\$'000	Property development and investment HK\$'000	Investment HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>					
Sales to external customers	2,532,107	76,162	75,082	37,927	2,721,278
Intersegment sales	103,208	–	–	–	103,208
Other income and gains	2,322	6,662	149,612	1,192	159,788
Total	<u>2,637,637</u>	<u>82,824</u>	<u>224,694</u>	<u>39,119</u>	2,984,274
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(103,208)</u>
Revenue					<u>2,881,066</u>
<b>Segment results</b>	<u>(56,924)</u>	<u>(694,596)</u>	<u>217,900</u>	<u>(234,655)</u>	(768,275)
Interest income					84,470
Finance costs (other than interest on lease liabilities)					<u>(40,278)</u>
Loss before tax					(724,083)
Income tax expense					<u>(42,570)</u>
Loss for the year					<u>(766,653)</u>
<b>Assets and liabilities</b>					
Segment assets	<u>1,622,498</u>	<u>409,842</u>	<u>29,082</u>	<u>563,777</u>	2,625,199
Unallocated					<u>2,274,458</u>
					<u>4,899,657</u>
Segment liabilities	<u>616,051</u>	<u>3,277</u>	<u>250</u>	<u>59,289</u>	678,867
Unallocated					<u>1,898,924</u>
					<u>2,577,791</u>
<b>Other segment information:</b>					
Depreciation of property, plant and equipment	39,564	42	–	12,227	51,833
Depreciation of right-of-use assets	5,872	10	–	9,674	15,556
Impairment of right-of-use assets	–	–	–	17,757	17,757
Impairment of trade receivables	–	–	–	985	985
Impairment of other receivables	–	–	1,174	–	1,174
Write-down of inventories to net realisable value	–	–	–	1,351	1,351
Write-off of inventories	–	–	–	101	101
Loss on disposal and write-off of items of property, plant and equipment, net	4,502	–	–	138	4,640
Loss on disposal of subsidiaries, net	–	567,469	–	–	567,469
Changes in fair value of an investment property	–	105,000	–	–	105,000
Fair value loss/(gain) on financial assets at fair value through profit or loss	–	–	(149,612)	52,741	(96,871)
Capital expenditure	<u>83,198</u>	<u>–</u>	<u>–</u>	<u>1,134</u>	<u>84,332</u>

## 2. OPERATING SEGMENT INFORMATION (continued)

2018

	Foundation piling HK\$'000	Property development and investment HK\$'000	Investment HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>					
Sales to external customers	2,530,539	282,973	122,206	35,452	2,971,170
Intersegment sales	393,409	–	–	1,151	394,560
Other income and gains	7,697	16,443	137,013	17,690	178,843
Total	<u>2,931,645</u>	<u>299,416</u>	<u>259,219</u>	<u>54,293</u>	3,544,573
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(394,560)</u>
Revenue					<u>3,150,013</u>
<b>Segment results</b>	<u>(23,306)</u>	<u>578,524</u>	<u>242,826</u>	<u>(285,903)</u>	512,141
Interest income					41,675
Finance costs					<u>(60,584)</u>
Profit before tax					493,232
Income tax expense					<u>(132,336)</u>
Profit for the year					<u>360,896</u>
<b>Assets and liabilities</b>					
Segment assets	<u>1,521,384</u>	<u>11,171,091</u>	<u>1,044,951</u>	<u>988,102</u>	14,725,528
Unallocated					<u>2,611,831</u>
					<u>17,337,359</u>
Segment liabilities	<u>726,950</u>	<u>475,430</u>	<u>2,092</u>	<u>39,711</u>	1,244,183
Unallocated					<u>3,930,513</u>
					<u>5,174,696</u>
<b>Other segment information:</b>					
Depreciation of property, plant and equipment	30,701	6	–	17,758	48,465
Impairment of contract assets	2,048	–	–	–	2,048
Write-back of impairment of other receivables	–	(144)	–	–	(144)
Write-off of other receivables	–	–	232	–	232
Write-down of properties under development	–	452,903	–	–	452,903
Loss/(gain) on disposal and write-off of items of property, plant and equipment, net	(4,669)	5	–	(20)	(4,684)
Loss/(gain) on disposal of subsidiaries, net	–	(1,030,771)	–	716	(1,030,055)
Gain on disposal of interests of an associate	–	–	–	(143)	(143)
Fair value gain on financial assets at fair value through profit or loss	–	–	(137,012)	(16,765)	(153,777)
Capital expenditure	<u>56,733</u>	<u>–</u>	<u>–</u>	<u>2,083</u>	<u>58,816</u>



## 2. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

#### (a) Revenue from external customers

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	<u>2,649,404</u>	<u>2,698,625</u>	<u>71,874</u>	<u>272,545</u>	<u>2,721,278</u>	<u>2,971,170</u>

The revenue information above is based on the locations of the customers.

#### (b) Non-current assets

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<u>297,437</u>	<u>256,467</u>	<u>–</u>	<u>–</u>	<u>297,437</u>	<u>256,467</u>

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

### Information about major customers

Revenue of approximately HK\$388,329,000 was derived from sales by the foundation piling segment to Customer B during the year. Revenue of approximately HK\$565,430,000, HK\$388,882,000 and HK\$321,732,000 were derived from sales by the foundation piling segment to Customer A, Customer B and Customer C, respectively, during the year ended 31 December 2018.

### 3. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Machinery trading	1,435	2,101
Sale of properties held for sale	68,312	266,654
Construction services	2,532,107	2,530,539
Machinery engineering services	26,438	20,062
Management services	75,082	132,634
	<u>2,703,374</u>	2,951,990
<i>Revenue from other sources</i>		
Gross rental income from properties held for sale and investment property operating leases	7,850	5,891
Gross rental income from machinery leasing	10,054	13,289
	<u>2,721,278</u>	<u>2,971,170</u>
<b>Other income and gains</b>		
Interest income	84,470	41,675
Insurance claims	1,274	1,039
Subsidy income*	–	212
Fair value gain on financial assets at fair value through profit or loss	149,612	153,777
Gain on disposal of interests in an associate	–	143
Gain on disposal of items of property, plant and equipment	–	4,683
Write-back of impairment of an amount due from an associate	–	13
Write-back of impairment of other receivables	–	144
Others	8,902	18,832
	<u>244,258</u>	<u>220,518</u>

\* There were no unfulfilled conditions or contingencies relating to this income.

### 4. FINANCE COSTS

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank borrowings	20,322	169,452
Interest on other borrowings	15,633	18,764
Interest on guaranteed notes	17,864	24,864
Interest on loans from related companies	3,713	11,533
Interest on lease liabilities	1,761	–
	<u>59,293</u>	224,613
Less: Interest capitalised in properties under development	(17,254)	(164,029)
Less: Interest included in cost of sales	(47)	–
	<u>41,992</u>	<u>60,584</u>

## 5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Depreciation of property, plant and equipment	<b>51,833</b>	48,465
Depreciation of right-of-use assets	<b>15,556</b>	–
Impairment of trade receivables	<b>985</b>	–
Impairment of contract assets	–	2,048
Impairment/(write-back of impairment) of other receivables	<b>1,174</b>	(144)
Write-off of other receivables	–	232
Impairment of right-of-use assets	<b>17,757</b>	–
Loss/(gain) on disposal and write-off of items of property, plant and equipment	<b>4,640</b>	(4,683)
Gain on disposal of interests in an associate	–	(143)
Changes in fair value of an investment property	<b>105,000</b>	–
Write-down of properties under development	–	452,903
Write-down of inventories to net realisable value	<b>1,351</b>	–
Write-off of inventories	<b>101</b>	–
Write-back of impairment of an amount due from an associate	–	(13)
	<b><u>          </u></b>	<b><u>          </u></b>

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere in the People's Republic of China (the "PRC") have been calculated at the applicable tax rates prevailing in the areas in which the Group operates.

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current:		
Provision for tax in respect of profit for the year:		
PRC:		
Hong Kong	<b>26,918</b>	21,086
Elsewhere	<b>11,864</b>	175,576
	<b><u>          </u></b>	<b><u>          </u></b>
	<b>38,782</b>	196,662
Underprovision/(overprovision) in the prior years:		
PRC:		
Hong Kong	<b>1,043</b>	(65)
Elsewhere	<b>999</b>	(381)
	<b><u>          </u></b>	<b><u>          </u></b>
	<b>2,042</b>	(446)
Deferred tax	<b>1,746</b>	(63,880)
	<b><u>          </u></b>	<b><u>          </u></b>
Total tax charge for the year	<b><u>42,570</u></b>	<b><u>132,336</u></b>

## 7. DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividends declared and paid during the year:		
First special – HK\$1.48 per ordinary share (2018: Nil)	4,981,733	–
Second special – HK\$0.52 per ordinary share (2018: Nil)	1,750,339	–
Interim – HK\$0.21 per ordinary share (2018: Nil)	706,867	–
Final in respect of the financial year ended 31 December 2017 – HK10.0 cents per ordinary share	–	340,249
	<u>7,438,939</u>	<u>340,249</u>

### Notes:

- (a) Third special dividend of HK\$0.50 per ordinary share, totalling approximately HK\$1,683,018,000 was approved by the Board on 12 December 2019 and was paid on 23 January 2020. The special dividend has been recognised as a liability in the financial statements as at 31 December 2019.
- (b) The Board has resolved not to recommend any final dividend in respect of the year ended 31 December 2019.
- (c) Subsequent to the end of the reporting period, on 23 March 2020, a special dividend of HK\$0.24 per ordinary share, totalling approximately HK\$807,849,000 was approved by the Board and will be payable on 29 April 2020.

## 8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss (2018: earnings) per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$766,655,000 (2018: profit of HK\$360,908,000), and the weighted average number of ordinary shares of 3,365,989,682 (2018: 3,391,088,497) in issue during the year.

During the year ended 31 December 2019, no adjustment has been made to the basic loss per share amounts presented in respect of a dilution as the impact of the share options had an anti-dilutive effect in the basic loss per share amounts presented.

During the year ended 31 December 2018, the calculation of diluted earnings per share amount was based on the profit for the year attributable to ordinary equity holders of the Company of HK\$360,908,000. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year ended 31 December 2018, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all dilutive potential ordinary shares of share options into ordinary shares during the year of 3,407,641,645.

## 9. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 22 November 2019, Tysan Investment Limited (“Tysan Investment”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with HNA Finance I Co., Ltd. (“HNA Finance I”) to dispose of its entire equity interest in Uni-Genius Investments Limited (“Uni-Genius”) and assign all amounts which Uni-Genius owes to Tysan Investment at a cash consideration of HK\$343,200,000 (the “Uni-Genius Disposal”). The principal activity of Uni-Genius was trading of financial products and holding of an unlisted wealth management investment in a fund during the years ended 31 December 2018 and 2019 (note 12(ii)). Upon completion of the Uni-Genius Disposal on 5 March 2020, Uni-Genius ceased to be a subsidiary of the Company.

The major classes of assets and liabilities classified as held for sale as at the end of the reporting period are as follows:

	<b>2019</b>	2018
	<b>HK\$’000</b>	HK\$’000
<i>Assets</i>		
Property, plant and equipment	–	1,967
Properties held for sale	–	1,165,888
Trade receivables	–	55
Prepayments, deposits and other receivables	–	3,505
Financial asset at fair value through profit or loss	<b>309,270</b>	–
Tax prepaid	–	7,766
Cash and cash equivalents	<b>50</b>	23,683
	<hr/>	<hr/>
Assets classified as held for sale	<b>309,320</b>	1,202,864
<i>Liabilities</i>		
Trade and retention payables and accruals (note a)	–	118,246
Contract liabilities	–	1,167
Other payables, deposits received and receipts in advance	–	2,048
Other loans (note b)	–	334,748
Tax payable	–	1,121
Deferred tax liabilities	–	1,942
	<hr/>	<hr/>
Liabilities directly associated with the assets classified as held for sale	–	459,272
	<hr/>	<hr/>
Net assets directly associated with the disposal groups	<b>309,320</b>	743,592
	<hr/> <hr/>	<hr/> <hr/>

### Notes:

- (a) Included in the balances as at 31 December 2018 were amounts due to Tysan Land (Shanghai) Limited (“Tysan Shanghai”) of HK\$2,118,000 and Tysan Property Development (Tianjin) Company Limited (“Tysan Tianjin”) of HK\$198,000 which are unsecured, interest-free and repayable on demand.
- (b) As at 31 December 2018, the balances included a loan from Tysan Shanghai of HK\$170,790,000 which is unsecured, bore interest at the interest rate published by The People’s Bank of China (“PBOC”) and is repayable on 29 September 2020, and a loan from Tysan Tianjin of HK\$163,958,000 which is unsecured, bore interest at the interest rate published by PBOC and is repayable on 21 December 2019.

As at 31 December 2018, the disposal groups classified as held for sale included the assets and liabilities of Tysan Land (Shenyang) Limited (“Tysan Shenyang”). The disposal of Tysan Shenyang was completed on 27 November 2019, details of which are disclosed in note 17(c) to this announcement.

## 10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 90 days	<b>216,429</b>	164,729
91 to 180 days	<b>9,676</b>	1,296
181 to 365 days	<b>555</b>	558
Over 365 days	–	552
	<b>226,660</b>	167,135

Included in the Group's trade receivables is an amount due from a related company of HK\$280,000 (2018: related companies of HK\$32,291,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

The Group has established credit policies that follow local industry standards. The average normal credit periods offered to trade customers are within 30 days, and are subject to periodic review by management.

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 31 December 2018, included in prepayments, deposits and other receivables was (i) advance payment for capital injection of HK\$367,700,000 to Hengqin Zhonghang Equity Investment Fund Partnership (Limited Partnership) ("Hengqin Zhonghang"), of which the general partner and the initial limited partner are subsidiaries of HNA Group Co., Ltd. ("HNA Group"), which in turn is the intermediate holding company of HNA Finance I, the then controlling shareholder of the Company, and (ii) the remaining consideration receivables of RMB510,800,000 (equivalent to approximately HK\$581,597,000) from Hainan HNA Shou Fu Investment Co., Ltd. ("HNA Shou Fu"), a subsidiary of HNA Group, for disposal of subsidiaries, details of the disposal are set out in note 17(d) to this announcement. During the year, the advance payment for capital injection was fully refunded to the Group and the consideration receivables were fully settled to the Group.

As at 31 December 2019, included in other receivables was an amount due from Tysan Building Construction Company Limited ("TBC"), a related company of the Company, of HK\$10,000 (2018: HK\$102,000) which is unsecured, interest-free and repayable on demand. TBC is controlled by Mr. Fung Chiu Chak, Victor ("Mr. Fung"), who is an executive director of the Company.

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Unlisted investment funds, at fair value	<i>(i)</i>	–	96,519
Unlisted wealth management investment in a fund, at fair value	<i>(ii)</i>	–	362,011
Convertible bonds, at fair value	<i>(iii)</i>	–	833,732
		–	1,292,262

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

*Notes:*

- (i) HKICIM Fund II, L.P. (“Fund II”), in which the Group’s interests is 12.07% (represented capital contribution of HK\$728,000,000), and HKICIM Fund III, L.P. (“Fund III”), in which the Group’s interests is 16.57% (represented capital contribution of HK\$633,160,000), were set up with Hisea International Co., Ltd. (“Hisea”) in prior years. Hisea is a wholly-owned subsidiary of HNA Holding Group Co., Ltd. (“HNA Holding Group”), which in turn is the holding company of HNA Finance I, the then controlling shareholder of the Company.

Fund II and Fund III (collectively, the “Funds”) had primarily invested in Total Thrive Holdings Limited (“Total Thrive”) and Sky Hero Developments Limited (“Sky Hero”), which through intermediate holding companies, hold two property development projects at Kai Tak, Kowloon. On 14 February 2018, the Funds disposed of their entire equity interests in Total Thrive and Sky Hero. Further details of this disposal were set out in the Company’s announcement dated 12 February 2018.

During the year ended 31 December 2018, the Funds have returned the initial committed capital of HK\$1,361,160,000 in total to the Group. The fair values of the Funds as at 31 December 2019 were Nil (2018: HK\$96,519,000) which were estimated with reference to the fair values of the underlying assets held by the Funds. During the year ended 31 December 2019, distributions from the Funds of HK\$196,396,000 (2018: HK\$17,626,000) were received and aggregate fair value gains of HK\$99,877,000 (2018: HK\$103,280,000) were resulted and included in “other income and gains” in the consolidated statement of profit or loss.

- (ii) During the year ended 31 December 2018, the Group purchased an unlisted investment fund from a third party financial institution at a cost of HK\$345,246,000 and was classified as held for trading. As at 31 December 2019, the fair value of the unlisted investment fund was HK\$309,270,000 (2018: HK\$362,011,000) based on a quoted price from the fund manager and a fair value loss of HK\$52,741,000 was included in “other expenses, net” (2018: fair value gain of HK\$16,765,000 was included in “other income and gains”) in the consolidated statement of profit or loss during the year. As detailed in note 9 to this announcement, upon signing of the sale and purchase agreement to dispose of the subsidiary of the Company holding this investment, this investment has been classified and included in assets of disposal groups classified as held for sale as at 31 December 2019.
- (iii) On 30 June 2018, the Group subscribed for 3-year unsecured convertible bonds of an aggregate principal amount of HK\$800,000,000, which bear interest at 8% per annum and carry a conversion option to convert the convertible bonds into 95% of the issued and outstanding share capital of Holistic Capital Investment Limited (“Holistic”), an indirectly wholly-owned subsidiary of Hong Kong Airlines Limited (“HKA”). The Group has the right to convert the bonds to issued share capital of Holistic at any time prior to the maturity date and to request early redemption of the bonds at any time after 31 December 2018 if the potential investment has not been consummated on or before 31 December 2018. The convertible bonds are irrevocably and unconditionally guaranteed by HKA and Hong Kong Air Cargo Carrier Limited, a subsidiary of HKA and the sole shareholder of the convertible bonds issuer.

During the year, the Group has exercised its right of redemption in respect of the convertible bonds. The convertible bonds were fully redeemed at HK\$883,467,000, representing the principal amount of HK\$800,000,000 and related coupon interest of HK\$83,467,000. Fair value gain of HK\$49,735,000 was resulted and included in “other income and gains” in the consolidated statement of profit or loss during the year.

As at 31 December 2018, the fair value of the convertible bonds was HK\$833,732,000, based on an external valuation report prepared by Vigers Appraisal and Consulting Limited, an independent professional valuer. A fair value gain of HK\$33,732,000 was resulted and included in “other income and gains” in the consolidated statement of profit or loss during the year ended 31 December 2018.

### 13. TRADE AND RETENTION PAYABLES, ACCRUALS AND PROVISION

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables:		
Within 90 days	<b>286,045</b>	370,655
91 to 180 days	<b>30</b>	879
Over 180 days	<b>144</b>	25
	<b>286,219</b>	371,559
Retention payables	<b>68,257</b>	74,348
Accruals	<b>220,078</b>	247,164
Provision	<b>37,262</b>	41,671
	<b>611,816</b>	734,742

The trade and retention payables are non-interest-bearing and are normally settled on 90-day terms.

### 14. CONTINGENT LIABILITIES

- (a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Guarantees in respect of performance bonds in relation to subsidiaries	<b>403,267</b>	325,219

- (b) As at 31 December 2018, the Group provided guarantees in respect of mortgage facilities granted by Shenyang Housing Fund Management Center relating to the mortgage loans arranged for purchases of certain properties developed by a subsidiary of the Company and the outstanding mortgage loans under these guarantees amounted to HK\$4,645,000.

The Group's guarantee period started from the dates of grant of the relevant mortgage loans and ended upon issuance of the relevant ownership certificates.

The fair value of the guarantees was not significant and the directors considered that in case of default in payments, the net realisable value of the related properties could cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore no provision had been made for these guarantees in the financial statements.



## 15. COMMITMENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(a) Property, plant and equipment: – contracted, but not provided for	<u>68,322</u>	<u>692</u>
(b) Construction works relating to properties under development: – contracted, but not provided for	<u>–</u>	<u>20,916</u>

## 16. BUSINESS COMBINATION

On 28 February 2019, Fundamental Assets IV Limited (“Fundamental Assets IV”), a wholly-owned subsidiary of the Company, and Jinshang International Investment Company Limited (“Jinshang International”), an independent third party, entered into a sale and purchase agreement, pursuant to which, Fundamental Assets IV agreed to purchase and Jinshang International agreed to sell the entire issued capital of Superior Choice Holdings Limited (“Superior Choice”) and the loans owned by Superior Choice and its subsidiary to Jinshang International at cash consideration of HK\$700,000,000 (subject to adjustment) (the “Superior Choice Acquisition”). The principal assets of Superior Choice comprise all the issued share capital of Excel Pointer Limited, the sole legal and beneficial owner of a property known as “CentreHollywood” located at No. 151 Hollywood Road, Hong Kong. The acquisition was completed on 28 February 2019 and the final consideration was agreed at HK\$698,018,000.

The fair value of the identifiable assets and liabilities of Superior Choice and Excel Pointer Limited (collectively referred as the “Superior Choice Group”) as at the date of acquisition were as follows:

	Fair value recognised on acquisition <i>HK\$'000</i>
Property, plant and equipment	174
Investment property	700,000
Prepayments, deposits and other receivables	369
Cash and cash equivalents	349
Trade payables and accruals	(636)
Other payables, deposits received and receipt in advance	(2,066)
Tax payable	(321)
Deferred tax liabilities	(1,885)
Loans from the shareholder	<u>(338,687)</u>
Total identifiable net assets at fair value	357,297
Loans from the shareholder assigned to the Group	338,687
Goodwill on acquisition	<u>2,034</u>
	<u>698,018</u>
Satisfied by:	
Cash consideration	<u>698,018</u>

The Group incurred transaction costs of HK\$4,025,000 for this transaction of which HK\$3,291,000 were recorded during the year ended 31 December 2019. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

## 16. BUSINESS COMBINATION (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the Superior Choice Acquisition during the year was as follows:

	<i>HK\$'000</i>
Cash consideration	(698,018)
Cash and cash equivalents acquired	<u>349</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	(697,669)
Transaction costs of the acquisition included in cash flows from operating activities	<u>(3,291)</u>
	<u><u>(700,960)</u></u>

Superior Choice Group was subsequently disposed of by the Group on 19 August 2019, details of which are disclosed in note 17(b) to this announcement. Since the acquisition and up to its disposal on 19 August 2019, Superior Choice Group contributed HK\$4,288,000 to the Group's revenue and net loss of HK\$102,736,000 (excluded the loss of disposal of Superior Choice Group of HK\$502,000) to the consolidated loss for the year ended 31 December 2019

Details of the Superior Choice Acquisition were set out in the Company's announcement dated 28 February 2019.

## 17. DISPOSAL OF SUBSIDIARIES

### (a) Disposal of Twinpeak Assets Limited

#### *For the year ended 31 December 2019*

On 15 February 2019, Omnilink Assets Limited ("Omnilink"), a wholly-owned subsidiary of the Company, disposed of its entire equity interest in Twinpeak Assets Limited and assigned all amounts which Twinpeak Assets Limited owes to Omnilink as at that date to an independent third party, Fabulous New Limited, at a final cash consideration of HK\$5,192,449,000 (the "Twinpeak Disposal"). The principal assets of Twinpeak Assets Limited comprised all the issued share 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.

## 17. DISPOSAL OF SUBSIDIARIES (continued)

### (a) Disposal of Twinpeak Assets Limited (continued)

	<i>HK\$'000</i>
Net liabilities disposed of:	
Properties under development	7,531,449
Prepayments, deposits and other receivables	118
Pledged bank balances	37,469
Restricted cash	1,276,396
Cash and cash equivalents	7,064
Trade and retention payables and accruals	(31,378)
Other payables, deposits received and receipt in advance	(80)
Interest-bearing bank borrowings	(2,936,063)
Loan from the Group	(6,489,641)
	<u>(604,666)</u>
Loan from the Group assigned	6,489,641
Loss on disposal of subsidiaries debited to profit or loss	(692,526)
	<u>5,192,449</u>
Satisfied by:	
Cash consideration	<u>5,192,449</u>

An analysis of the net inflow of cash and cash equivalents in respect of the Twinpeak Disposal during the year was as follows:

	<i>HK\$'000</i>
Cash consideration	5,192,449
Pledged bank balances disposed of	(37,469)
Cash and cash equivalents disposed of	(7,064)
	<u>5,147,916</u>

Details of the Twinpeak Disposal were set out in the Company's announcements dated 1 February 2019 and 15 February 2019 and the circular dated 25 February 2019.

## 17. DISPOSAL OF SUBSIDIARIES (continued)

### (b) Disposal of Superior Choice

#### *For the year ended 31 December 2019*

On 19 August 2019, Fundamental Assets IV disposed of its entire equity interest in Superior Choice and assigned all loans owing by Superior Choice to Fundamental Assets IV as at that date to an independent third party, New Pursue Limited at a cash consideration of HK\$592,787,000 (the “Superior Choice Disposal”). The principal assets of Superior Choice comprise all the issued share capital of Excel Pointer Limited, the sole legal and beneficial owner of a property known as “CentreHollywood” located at No. 151 Hollywood Road, Hong Kong.

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	124
Investment property	595,000
Goodwill	2,034
Trade receivables	564
Prepayments, deposits and other receivables	463
Cash and cash equivalents	137
Trade payables and accruals	(352)
Other payables, deposits received and receipt in advance	(2,039)
Tax payable	(635)
Deferred tax liabilities	(2,007)
Loans from the Group	(336,695)
	<u>256,594</u>
Loans from the Group assigned	336,695
Loss on disposal of subsidiaries debited to profit or loss	(502)
	<u>592,787</u>
Satisfied by:	
Cash consideration	<u>592,787</u>

An analysis of the net inflow of cash and cash equivalents in respect of the Superior Choice Disposal during the year was as follows:

	<i>HK\$'000</i>
Cash consideration	592,787
Cash and cash equivalents disposed of	(137)
Net inflow of cash and cash equivalents in respect of the Superior Choice Disposal	<u>592,650</u>

## 17. DISPOSAL OF SUBSIDIARIES (continued)

### (c) Disposal of Tysan Shenyang

#### *For the year ended 31 December 2019*

On 13 November 2017, Sparkle Key Limited (the “Shenyang Seller”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Hainan HNA Infrastructure Investment Group Co., Ltd. (“HNA Infrastructure”), a company established in the PRC with limited liability whose shares are listed on the Shanghai Stock Exchange and a subsidiary of HNA Group, for disposal of the Shenyang Seller’s entire equity interest in Tysan Shenyang at a cash consideration of RMB762 million (the “Shenyang Disposal”). Tysan Shenyang is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Pinnacle, in Shenyang. It primarily derived its revenue from the sale of residential properties. The Shenyang Disposal was completed on 27 November 2019.

	<i>HK\$’000</i>
Net assets disposed of:	
Property, plant and equipment	1,932
Properties held for sale	1,083,719
Trade receivables	60
Prepayments, deposits and other receivables	2,950
Tax prepaid	4,990
Cash and cash equivalents	47,106
Trade payables and accruals	(73,030)
Deposits received and other payables	(2,571)
Contract liabilities	(8,319)
Other loans	(327,251)
Deferred tax liabilities	(1,248)
	<u>728,338</u>
Release of exchange fluctuation reserve	38,405
Gain on disposal of a subsidiary credited to profit or loss	<u>125,559</u>
	<u><u>892,302</u></u>
Satisfied by:	
Cash consideration	<u><u>892,302</u></u>

An analysis of the net inflow of cash and cash equivalents in respect of the Shenyang Disposal during the year was as follows:

	<i>HK\$’000</i>
Cash consideration	892,302
Cash and cash equivalents disposed of	<u>(47,106)</u>
Net inflow of cash and cash equivalents in respect of the Shenyang Disposal	<u><u>845,196</u></u>

## 17. DISPOSAL OF SUBSIDIARIES (continued)

### (d) Disposal of Tysan Shanghai and Tysan Tianjin

#### *For the year ended 31 December 2018*

On 13 November 2017, Great Regent Investments Limited, Shanghai Changning Duncan Property Consulting Company Limited, Red Shine Investment Limited and Carriway Limited (collectively, the “Shanghai Sellers”), each being a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with HNA Shou Fu, a subsidiary of HNA Group which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company, for disposal of the Shanghai Sellers’ entire equity interests in Tysan Shanghai at a cash consideration of RMB585.8 million (the “Shanghai Disposal”). Tysan Shanghai is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Waterfront, in Shanghai. It primarily derives its revenue from the sales of residential property and to a relatively minor extent, leasing of property. The Shanghai Disposal was completed on 30 April 2018.

On 13 November 2017, Great Prosper Limited (the “Tianjin Seller”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with HNA Shou Fu for disposal of Tianjin Seller’s entire equity interest in Tysan Tianjin at a cash consideration of RMB435.8 million (the “Tianjin Disposal”). Tysan Tianjin is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Riverside, in Tianjin. It primarily derives its revenue from the sales of residential property. The Tianjin Disposal was completed on 30 April 2018.

During the year ended 31 December 2018, cash consideration of RMB510,800,000 (equivalent to HK\$632,625,000) was received. The remaining consideration of RMB510,800,000 (equivalent to HK\$596,415,000) was received during the year ended 31 December 2019.

	<i>HK\$’000</i>
Net assets disposed of:	
Property, plant and equipment	2,291
Investment properties	235,810
Available-for-sale investment	1,239
Deferred tax assets	1,035
Loans to the Group	364,119
Properties held for sale	35,462
Properties under development	15,137
Amounts due from the Group	21,777
Trade receivables	421
Prepayments, deposits and other receivables	4,991
Cash and cash equivalents	321,209
Trade payables and accruals	(5,279)
Deposits received and other payables	(3,104)
Tax payable	(5,498)
Deferred tax liabilities	(42,856)
	<hr/>
	946,754
Release of exchange fluctuation reserve	(72,962)
Release of statutory reserve	(48,750)
Gain on disposal of subsidiaries credited to profit or loss	440,209
	<hr/>
	1,265,251
Satisfied by:	
Cash consideration	632,625
Other receivables	632,626
	<hr/>
Total consideration	<u>1,265,251</u>

## 17. DISPOSAL OF SUBSIDIARIES (continued)

### (d) Disposal of Tysan Shanghai and Tysan Tianjin (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the Shanghai Disposal and Tianjin Disposal during the year ended 31 December 2018 was as follows:

	<i>HK\$'000</i>
Cash consideration	632,625
Cash and cash equivalents disposed of	<u>(321,209)</u>
Net inflow of cash and cash equivalents in respect of the Shanghai Disposal and Tianjin Disposal	<u><u>311,416</u></u>

### (e) Disposal of Onwards Asia Limited

*For the year ended 31 December 2018*

On 16 May 2018, Omnilink disposed of its entire equity interest in Onwards Asia Limited and assigned all amounts which Onwards Asia Limited owes to Omnilink as at that date to an independent third party, Fabulous New Limited, at a cash consideration of HK\$6,348,343,000 (the "Onwards Asia Disposal"). The principal assets of Onwards Asia Limited comprise all the issued share capital of Top Genius Holdings Limited, which engages in a property development project at Kai Tak, Kowloon.

	<i>HK\$'000</i>
Net liabilities disposed of:	
Properties under development	5,772,749
Cash and cash equivalents	4,081
Trade and retention payables and accruals	(14,893)
Loan from the Group	<u>(5,820,366)</u>
	(58,429)
Loan from the Group assigned	5,820,366
Gain on disposal of a subsidiary credited to profit or loss	<u>586,406</u>
	<u><u>6,348,343</u></u>
Satisfied by:	
Cash consideration	<u><u>6,348,343</u></u>

## 17. DISPOSAL OF SUBSIDIARIES (continued)

### (e) Disposal of Onwards Asia Limited (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the Onwards Asia Disposal during the year ended 31 December 2018 was as follows:

	<i>HK\$'000</i>
Cash consideration	6,348,343
Cash and cash equivalents disposed of	<u>(4,081)</u>
Net inflow of cash and cash equivalents in respect of the Onwards Asia Disposal	<u><u>6,344,262</u></u>

### (f) Disposal of Fund House Limited

*For the year ended 31 December 2018*

On 2 October 2018, Beneficial Enterprises Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent party to dispose of its entire equity interest in Fund House Limited and assigned all amounts which Fund House Limited owes to Beneficial Enterprises Limited, at a cash consideration of HK\$17,000 (the "Fund House Disposal"). The principal assets of Fund House Limited comprise all issued share capital of Duncan Property Management (Shanghai) Co., Limited, which engages in the provision of property management services in the PRC. The Fund House Disposal was completed on 12 October 2018.

	<i>HK\$'000</i>
Net liabilities disposed of:	
Property, plant and equipment	14
Trade receivables	308
Prepayments, deposits and other receivables	52
Cash and cash equivalents	5,976
Trade payables and accruals	(213)
Other payables, deposits received and receipt in advance	(6,078)
Due to a related company	(2,825)
Loan from the Group	<u>(10,939)</u>
	(13,705)
Loan from the Group assigned	10,939
Release of exchange fluctuation reserve	(1,009)
Release of statutory reserve	(364)
Gain on disposal of subsidiaries credited to profit or loss	<u>4,156</u>
	<u><u>17</u></u>
Satisfied by:	
Cash consideration	<u><u>17</u></u>



## 17. DISPOSAL OF SUBSIDIARIES (continued)

### (f) Disposal of Fund House Limited (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the Fund House Disposal during the year ended 31 December 2018 was as follows:

	<i>HK\$'000</i>
Cash consideration	17
Cash and cash equivalents disposed of	<u>(5,976)</u>
Net outflow of cash and cash equivalents in respect of the Fund House Disposal	<u><u>(5,959)</u></u>

### (g) Disposal of Upwealth International Limited and Fortune Fortress Limited

*For the year ended 31 December 2018*

On 14 December 2018, Tysan Investment disposed of its entire equity interests in Upwealth International Limited and Fortune Fortress Limited and assigned all amounts which Upwealth International Limited and Fortune Fortress Limited owed to Tysan Investment as at that date to Mr. Fung, the executive director of the Company, at a cash consideration of HK\$272,000 (the "Upwealth Disposal") and HK\$92,000 (the "Fortune Fortress Disposal"), respectively. Upwealth International Limited and Fortune Fortress Limited were both an investment holding company which held a golf club membership.

	<i>HK\$'000</i>
Net liabilities disposed of:	
Other assets	1,080
Loan from the Group	<u>(1,281)</u>
	(201)
Loan from the Group assigned	1,281
Loss on disposal of subsidiaries debited to profit or loss	<u>(716)</u>
	<u><u>364</u></u>
Satisfied by:	
Cash consideration	<u><u>364</u></u>

An analysis of the net inflow of cash and cash equivalents in respect of the Upwealth Disposal and Fortune Fortress Disposal during the year ended 31 December 2018 was as follows:

	<i>HK\$'000</i>
Cash consideration and inflow of cash and cash equivalents in respect of the Upwealth Disposal and Fortune Fortress Disposal	<u><u>364</u></u>

## **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 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 projects 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.

### **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.

### **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.

### **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.

## **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.

## **PURCHASE, REDEMPTION AND 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.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2019 except for the following deviation:

*CG Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election*

Non-executive Directors (“Non-executive Directors”) and independent non-executive Directors (“Independent Non-executive Directors”) are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company. As such, the Board is of the view that the Non-executive Directors and Independent Non-executive Directors do not have to be appointed for a specific term.

*CG Code Provision A.7.1 stipulates that for regular Board meetings and as far as practicable in all other cases, an agenda and accompanying Board papers should be sent, in full, to all Directors. These should be sent in a timely manner and at least 3 days before the intended date of a Board or Board committee meeting (or other agreed period).*

Board papers for the ad-hoc Board meetings held on 11 February 2019 and 25 October 2019 were sent to the Directors less than 3 days before the intended date of a Board meeting.

*Rule 3.10A of the Listing Rules*

Pursuant to Rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive directors representing at least one-third of the Board.

- (a) On 26 October 2018, Mr. Leung Kai Cheung resigned as an Independent Non-executive Director. Together with eight executive Directors of the Company (“Executive Directors”), two Non-executive Directors and four Independent Non-executive Directors, there were a total of 14 Directors at that time. On 21 January 2019, Mr. Chong Kin Ho was appointed as an additional Independent Non-executive Director. Hence, the Company has failed to meet the requirement under Rule 3.10A of the Listing Rules, where the Company is required to appoint additional independent non-executive directors representing at least one-third of the Board for the period between 26 October 2018 and 20 January 2019. Nevertheless, the Company met the requirements of Rule 3.11 of the Listing Rules that the Company should appoint an additional independent non-executive director to meet such requirement under Rule 3.10A of the Listing Rules within three months after failing to meet such requirements.
- (b) As set out in the announcement of the Company dated 11 April 2019, following the change of control of the Company, there was a change in composition of the Board and six Non-executive Directors were appointed with effect from 11 April 2019. Together with eight Executive Directors, two Non-executive Directors and five Independent Non-executive Directors, there were a total of 21 Directors at that time.

As further set out in the announcement of the Company dated 3 May 2019, six Executive Directors, two Non-Executive Directors and one Independent Non-executive Director resigned from the Board with effect from 3 May 2019. Following the above resignations, the Board comprises 12 members, with two Executive Directors, six Non-executive Directors and four Independent Non-executive Directors at that time. As the number of Independent Non-executive Directors represents one third of the members of the Board, the number of Independent Non-executive Directors has satisfied the requirements under Rule 3.10A of the Listing Rules.

Hence, the Company has failed to meet the requirement under Rule 3.10A of the Listing Rules, where the Company is required to appoint additional independent non-executive directors representing at least one-third of the Board for the period between 11 April 2019 and 2 May 2019.

### **Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Company’s Directors, they all confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2019.

### **AUDIT COMMITTEE**

The Group’s Audit Committee comprises four members, namely, Mr. Li Kit Chee, Mr. Fan Chor Ho, Mr. Tse Man Bun and Mr. Lung Chee Ming, George, who are Independent Non-executive Directors. The Committee conducted a review with the management of such accounting principles and practices adopted by the Group and discussed the auditing, internal control, risk management and financial reporting matters including the review of the Group’s consolidated results and financial statements for the year ended 31 December 2019.

The Committee has also met with the external auditors of the Company, Messrs. Ernst & Young, and reviewed the accounting principles and practices adopted by the Group and the annual results of the Group for the year.

### **REVIEW OF PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group’s results for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group’s independent auditors, Messrs. Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Messrs. Ernst & Young 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 Messrs. Ernst & Young on this preliminary announcement.



## 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.

By order of the Board  
**TYSAN HOLDINGS LIMITED**  
**Justin Wai**  
*Chairman*

Hong Kong, 23 March 2020

*As at the date of this announcement, the Executive Director is Mr. Fung Chiu Chak, Victor; the Non-executive Directors are Mr. Justin Wai, Mr. Wang Tianbing, Mr. David Robert McClure, Mr. Lau Che Hang Alex, Mr. Wu Charles Hsing-yuan and Mr. Yuen Pak Man; and the Independent Non-executive Directors are Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee.*

*Company website: [www.tysan.com](http://www.tysan.com)*

\* *English translations of the Company names from the Chinese language are marked with “\*” and are provided for identification purpose only.*