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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 2020

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 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

Consolidated Statement of Profit or Loss

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	3	3,054,113	2,721,278
Cost of sales		<u>(3,116,818)</u>	<u>(2,706,625)</u>
Gross profit/(loss)		(62,705)	14,653
Other income and gains	3	58,779	244,258
Gain/(loss) on disposal of subsidiaries, net	13	33,930	(567,469)
Selling expenses		–	(8,564)
Administrative expenses		(97,984)	(173,582)
Changes in fair value of an investment property		–	(105,000)
Other expenses, net		(33,727)	(86,387)
Finance costs	4	<u>(4,632)</u>	<u>(41,992)</u>
LOSS BEFORE TAX	5	(106,339)	(724,083)
Income tax credit/(expense)	6	1,457	(42,570)
LOSS FOR THE YEAR		<u>(104,882)</u>	<u>(766,653)</u>
Attributable to:			
Ordinary equity holders of the Company		(104,882)	(766,655)
Non-controlling interests		–	2
		<u>(104,882)</u>	<u>(766,653)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>(HK3.12 cents)</u>	<u>(HK22.78 cents)</u>
Diluted		<u>(HK3.12 cents)</u>	<u>(HK22.78 cents)</u>

Consolidated Statement of Comprehensive Income

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(104,882)</u>	<u>(766,653)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange difference on translation of foreign operations	23,992	(7,117)
Release of exchange difference upon disposal of a subsidiary	<u>–</u>	<u>38,405</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>23,992</u>	<u>31,288</u>
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR	<u><u>(80,890)</u></u>	<u><u>(735,365)</u></u>
Attributable to:		
Ordinary equity holders of the Company	(80,890)	(735,367)
Non-controlling interests	<u>–</u>	<u>2</u>
	<u><u>(80,890)</u></u>	<u><u>(735,365)</u></u>

Consolidated Statement of Financial Position

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		188,240	177,297
Right-of-use assets		106,704	118,132
Prepayments, deposits and other receivables		150	2,008
Deferred tax assets		1,760	–
		<hr/>	<hr/>
Total non-current assets		296,854	297,437
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		43,592	22,563
Trade receivables	9	188,977	226,660
Contract assets		1,002,172	1,113,421
Prepayments, deposits and other receivables		29,063	38,475
Financial assets at fair value through profit or loss		–	–
Tax prepaid		40	–
Cash and cash equivalents		706,570	2,891,781
		<hr/>	<hr/>
Assets of a disposal group classified as held for sale	13	1,970,414	4,292,900
		<hr/>	<hr/>
		–	309,320
		<hr/>	<hr/>
Total current assets		1,970,414	4,602,220
		<hr/>	<hr/>

Consolidated Statement of Financial Position (continued)

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade and retention payables, accruals and provision	<i>10</i>	664,560	611,816
Dividend payable	<i>7(a)</i>	–	1,683,018
Other payables, deposits received and receipts in advance		2,452	1,360
Contract liabilities		72,372	46,833
Interest-bearing bank borrowings		4,762	54,135
Guaranteed notes		–	40,390
Lease liabilities		10,942	10,121
Tax payable		13,712	50,595
		<hr/>	<hr/>
Total current liabilities		768,800	2,498,268
		<hr/>	<hr/>
NET CURRENT ASSETS		1,201,614	2,103,952
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,498,468	2,401,389
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		57,654	62,577
Lease liabilities		274	8,737
Deferred tax liabilities		7,413	8,209
		<hr/>	<hr/>
Total non-current liabilities		65,341	79,523
		<hr/>	<hr/>
Net assets		1,433,127	2,321,866
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		336,603	336,603
Reserves		1,096,524	1,985,263
		<hr/>	<hr/>
Total equity		1,433,127	2,321,866
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs did not have any significant impact on the financial position and performance of the Group.

2. OPERATING SEGMENT INFORMATION

2020

	Foundation piling HK\$'000	Property development and investment HK\$'000	Investment HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales to external customers	3,017,754	–	–	36,359	3,054,113
Other income and gains, net	43,217	1,454	–	3,431	48,102
Total	<u>3,060,971</u>	<u>1,454</u>	<u>–</u>	<u>39,790</u>	<u>3,102,215</u>
Segment results	<u>(31,622)</u>	<u>(1,901)</u>	<u>(383)</u>	<u>(79,128)</u>	<u>(113,034)</u>
Interest income					10,677
Finance costs (other than interest on lease liabilities)					<u>(3,982)</u>
Loss before tax					(106,339)
Income tax credit					<u>1,457</u>
Loss for the year					<u>(104,882)</u>
Assets and liabilities					
Segment assets	<u>1,622,436</u>	<u>3,262</u>	<u>–</u>	<u>267,131</u>	1,892,829
Unallocated					<u>374,439</u>
					<u>2,267,268</u>
Segment liabilities	<u>708,741</u>	<u>735</u>	<u>–</u>	<u>41,124</u>	750,600
Unallocated					<u>83,541</u>
					<u>834,141</u>
Other segment information:					
Depreciation of property, plant and equipment	41,035	–	–	10,229	51,264
Depreciation of right-of-use assets	6,694	10	–	8,555	15,259
Impairment of trade receivables	–	–	–	353	353
Write-off of inventories	–	–	–	272	272
Loss/(gain) on disposal and write-off of items of property, plant and equipment, net	8,760	–	–	(1,050)	7,710
Gain on disposal of a subsidiary	–	–	–	(33,930)	(33,930)
Capital expenditure	<u>73,502</u>	<u>–</u>	<u>–</u>	<u>1,539</u>	<u>75,041</u>

2. OPERATING SEGMENT INFORMATION (continued)

2019

	Foundation piling HK\$'000	Property development and investment HK\$'000	Investment HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:					
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, net	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>
Segment results	<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>
Assets and liabilities					
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>
Other segment information:					
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 of 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)

Geographical information

(a) Revenue from external customers

	Hong Kong		Elsewhere in the People's Republic of China (the "PRC")		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment revenue:						
Sales to external customers	<u>3,054,113</u>	<u>2,649,404</u>	<u>–</u>	<u>71,874</u>	<u>3,054,113</u>	<u>2,721,278</u>

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

(b) Non-current assets

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
	<u>295,094</u>	<u>297,437</u>	<u>–</u>	<u>–</u>	<u>295,094</u>	<u>297,437</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 from each of the major customers, which accounted for 10% or more of the Group's revenue, is set out below:

	2020 HK\$'000	2019 HK\$'000
Customer A ¹	518,152	N/A ²
Customer B ¹	313,743	N/A ²
Customer C ¹	<u>N/A²</u>	<u>388,329</u>

¹ Revenue was derived from foundation piling segment.

² The corresponding revenue did not contribute over 10% of the Group's revenue.

3. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Machinery trading	36	1,435
Sale of properties held for sale	–	68,312
Construction services	3,017,754	2,532,107
Machinery engineering services	21,397	26,438
Management services	–	75,082
	<u>3,039,187</u>	<u>2,703,374</u>
<i>Revenue from other sources</i>		
Gross rental income from properties held for sale and investment property operating leases	–	7,850
Gross rental income from machinery leasing	14,926	10,054
	<u>14,926</u>	<u>10,054</u>
	<u>3,054,113</u>	<u>2,721,278</u>
Other income and gains		
Interest income	10,677	84,470
Insurance claims	543	1,274
Subsidy income*	43,638	–
Gain on lease modification	25	–
Fair value gains on financial assets at fair value through profit or loss	–	149,612
Others	3,896	8,902
	<u>3,896</u>	<u>8,902</u>
	<u>58,779</u>	<u>244,258</u>

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

4. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank borrowings	2,048	20,322
Interest on other borrowings	–	15,633
Interest on guaranteed notes	1,934	17,864
Interest on loans from related companies	–	3,713
Interest on lease liabilities	793	1,761
	<u>4,775</u>	<u>59,293</u>
Less: Interest capitalised in properties under development	–	(17,254)
Less: Interest included in cost of sales	(143)	(47)
	<u>(143)</u>	<u>(47)</u>
	<u>4,632</u>	<u>41,992</u>

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation of property, plant and equipment	51,264	51,833
Depreciation of right-of-use assets	15,259	15,556
Impairment of trade receivables	353	985
Impairment of other receivables	–	1,174
Impairment of right-of-use assets	–	17,757
Loss on disposal and write-off of items of property, plant and equipment	7,710	4,640
Changes in fair value of an investment property	–	105,000
Write-down of inventories to net realisable value	–	1,351
Write-off of inventories	272	101
	<u> </u>	<u> </u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits of this subsidiary are taxed at 16.5%. Taxes on profits assessable elsewhere in the PRC have been calculated at the applicable tax rates prevailing in the areas in which the Group operates.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current:		
Provision for tax in respect of profit for the year:		
PRC:		
Hong Kong	87	26,918
Elsewhere	310	11,864
	<u>397</u>	<u>38,782</u>
Underprovision/(overprovision) in the prior years:		
PRC:		
Hong Kong	(535)	1,043
Elsewhere	(1,437)	999
	<u>(1,972)</u>	<u>2,042</u>
Deferred tax	118	1,746
	<u> </u>	<u> </u>
Total tax charge/(credit) for the year	<u>(1,457)</u>	<u>42,570</u>

7. DIVIDENDS

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Dividends declared during the year:			
2020 special – HK\$0.24 per ordinary share		807,849	–
2019 first special – HK\$1.48 per ordinary share		–	4,981,733
2019 second special – HK\$0.52 per ordinary share		–	1,750,339
2019 third special – HK\$0.50 per ordinary share	(a)	–	1,683,018
Interim – Nil (2019: HK\$0.21 per ordinary share)		–	706,867
		<u>807,849</u>	<u>9,121,957</u>

Notes:

- (a) The 2019 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 2020 (2019: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$104,882,000 (2019: HK\$766,655,000), and the number of ordinary shares of 3,366,035,709 (2019: weighted average number of ordinary shares of 3,365,989,682) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020.

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

9. TRADE RECEIVABLES

An aging 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	177,179	216,429
91 to 180 days	11,556	9,676
181 to 365 days	164	555
Over 365 days	78	–
	<u>188,977</u>	<u>226,660</u>

As at 31 December 2019, included in the Group's trade receivables was an amount due from a related company, Tysan Building Construction Company Limited ("TBC"), of HK\$280,000, which was repayable on credit terms similar to those offered to the major customers of the Group. TBC is controlled by Mr. Fung Chiu Chak, Victor, who is an executive director of the Company.

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.

10. TRADE AND RETENTION PAYABLES, ACCRUALS AND PROVISION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables:		
Within 90 days	299,121	286,045
91 to 180 days	808	30
Over 180 days	41	144
	<u>299,970</u>	<u>286,219</u>
Retention payables	94,031	68,257
Accruals	234,967	220,078
Provision	35,592	37,262
	<u>664,560</u>	<u>611,816</u>

The trade and retention payables are non-interest-bearing. Trade payables are normally settled on 90-day terms. For retention payables in respect of construction contracts, the due dates are normally within one year after the completion of the construction work.

11. CONTINGENT LIABILITIES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Guarantees in respect of performance bonds in relation to subsidiaries	<u>449,634</u>	<u>403,267</u>

12. COMMITMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Property, plant and equipment: – contracted, but not provided for	<u>1,545</u>	<u>68,322</u>

13. DISPOSAL OF A SUBSIDIARY

Disposal of Uni-Genius Investments Limited

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., the former controlling shareholder of the Company, to dispose of its entire equity interest in Uni-Genius Investments Limited (“Uni-Genius”) and assign all amounts which Uni-Genius owed 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. As at 31 December 2019, the disposal group classified as held for sale included the assets of Uni-Genius of HK\$309,320,000, representing a financial asset at fair value through profit or loss of HK\$309,270,000 and bank balance of HK\$50,000. The Uni-Genius Disposal was completed on 5 March 2020.

	2020 <i>HK\$'000</i>
Net liabilities disposed of:	
Financial asset at fair value through profit or loss	309,270
Loan from the Group	<u>(321,963)</u>
	(12,693)
Loan from the Group assigned	321,963
Gain on disposal of a subsidiary credited to profit or loss	<u>33,930</u>
	<u>343,200</u>
Satisfied by:	
Cash consideration	<u>343,200</u>

An analysis of the net inflow of cash and cash equivalents in respect of the Uni-Genius Disposal during the year is as follows:

	<i>HK\$'000</i>
Cash consideration and net inflow of cash and cash equivalents in respect of the Uni-Genius Disposal	<u>343,200</u>

DIVIDEND

The Board of directors of the Company (the “Directors”) has resolved not to declare any final dividend (year ended 31 December 2019: Nil).

No interim dividend was declared for the six months ended 30 June 2020 (period ended 30 June 2019: HK\$0.21 per share of the Company (“Share”)). A special dividend of HK\$0.24 per Share was declared on 23 March 2020.

BUSINESS REVIEW

Foundation Piling

During the year under review, turnover of the Group’s foundation piling segment was HK\$3,018 million (31 December 2019: HK\$2,532 million). The segment recorded a loss of HK\$32 million as compared to a loss of HK\$57 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, various private commercial development projects at New Kowloon Inland Lot No. 6549, Taikoo Place Phase 2B, Tsuen Wan Town Lot No. 428 on Ma Kok Street, Tsuen Wan Town Lot No. 49 on Sha Tsui Road, Tuen Mun Town Lot No. 544, Inland Lot No. 9065 on Gage Street and Graham Street, and the Hutchison House redevelopment, and the residential development projects at Pak Shek Kok Tai Po Town Lot No. 244 Tai Po, New Kowloon Inland Lot Nos. 6551 and 6591, and Tai Po Town Lot No. 157, Sai Sha, Shap Sze Heung.

Investment Activities

Disposal of a Subsidiary of the Company

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

Resignation and Withdrawal from the Funds

In 2017, the Group had formed two funds, namely HKICIM Fund II, L.P. (“Fund II”) and HKICIM Fund III, L.P. (“Fund III”, together with Fund II, the “Funds”) and members of the Group were limited partners and also general partners.

As disclosed in the annual report of the Company for 2019 and following such distributions as the Company had expected from the Funds, the fair value of the Group’s investment in the Funds as at 31 December 2019 were nil. The Group has therefore decided to exit its involvement in the Funds by withdrawing as limited partners and resigning and withdrawing as general partners of each of the Funds.

Details of the said resignation and withdrawal have been set out in the announcement of the Company dated 3 November 2020.

PROSPECTS

Consistent with the trend that we have observed in the past year, we continue to see a moderate uptick of construction activities in Hong Kong. Tender requests for our foundation piling work have been steadily increasing, driven by both private and public sector projects. As a result, we have secured some meaningful projects in recent months. This is certainly an encouraging sign of recovery for our business, and we expect the trend to continue as we head into the new year.

Beyond our focus on the top-line, we are focused on controlling our costs and risk control measures to improve our competitiveness against our peers. Despite increasing unemployment rates in Hong Kong, the labor pool remains tight and labor cost is high. This requires us to examine our organizational structure and fleet of equipment to optimize our cost structure and protect our margins. To minimize negative surprises on-site, we have also increased our emphasis on risk control measures and pricing discipline when we evaluate prospective tenders. We believe all these will help us improve our profit margins in the upcoming year.

The Group’s future strategy will depend on how the pandemic evolves but, in general, the Group will be 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

Financial position, liquidity and financial resources

As at 31 December 2020, the Group’s cash on hand was about HK\$707 million (31 December 2019: HK\$2,892 million) while total assets and net assets were about HK\$2,267 million (31 December 2019: HK\$4,900 million) and HK\$1,433 million (31 December 2019: HK\$2,322 million), respectively. Total liabilities were about HK\$834 million (31 December 2019: HK\$2,578 million), out of which financial liabilities were about HK\$470 million (31 December 2019: HK\$2,214 million) and the remaining were mainly contract liabilities and current or deferred tax provision.

As at 31 December 2020, the Group had interest-bearing borrowing of HK\$62 million (31 December 2019: HK\$157 million).

The Group's gearing ratio, calculated on the basis of net debt (including financial liabilities less cash on hand) divided by total equity of the Group, was Nil as at 31 December 2020 as the Group had a net cash position.

Funding and treasury policy

The Group continues to maintain a prudent funding and treasury policy and sustain a sound good capital structure with healthy cash flows. Surplus funds are maintained in the form of deposits with leading banks. Borrowing is denominated in Hong Kong dollar and subject to floating interest rate. Currency exposure is being closely monitored and forward contracts will be considered as required.

Capital expenditure and capital commitments

During the year ended 31 December 2020, the Group invested about HK\$75 million on purchase of machinery and equipment. As at 31 December 2020, the Group had capital commitments in relation to purchase of machinery and equipment of about HK\$2 million. Capital expenditure is principally financed by internal resources.

Pledge of assets

As at 31 December 2020, office premise of the Group with a carrying amount of about HK\$138 million was pledged to bank to secure the instalment loan granted to the Group.

Contingent liabilities

Contingent liabilities in relation to corporate guarantees provided by the Group to banks for issue of performance bonds increased from HK\$403 million as at 31 December 2019 to HK\$450 million as at 31 December 2020. Save for the above, the Group did not have any other material contingent liabilities.

REMUNERATION GUIDELINES AND EMPLOYMENT

The Group, including its subsidiaries in Hong Kong, Macau and the PRC, employed approximately 814 employees as at 31 December 2020. 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2020 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.

Two non-executive Directors ("Non-executive Directors"), namely Mr. Justin Wai and Mr. Yuen Pak Man, and two independent non-executive Directors ("Independent Non-executive Directors"), namely, Mr. Lung Chee Ming, George and Mr. Li Kit Chee have been appointed without a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. As such, the Board is of the view that the aforesaid Non-executive Directors and Independent Non-executive Directors did not have to be appointed for a specific term at the time of appointment.

Three Non-executive Directors, namely, Mr. David Robert McClure, Ms. Gu Ye and Ms. Hou Xiangjia, and two Independent Non-executive Directors, namely Ms. Chow Wai Lee and Ms. Jennifer Kwok are appointed for a specific term of three years. They are subject to renewal after the expiry of the then current term and the retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

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).

Although Board papers for an ad-hoc Board meeting held on 19 February 2020 were sent to the Directors less than 3 days before the intended date of a Board meeting due to the urgency of the matter, the Board had sufficient time to review the Board papers.

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 2020.

AUDIT COMMITTEE

The Group's audit committee ("Audit Committee") comprises four members, namely, Mr. Li Kit Chee, Mr. Lung Chee Ming, George, Ms. Chow Wai Lee and Ms. Jennifer Kwok who are Independent Non-executive Directors. The Audit 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 2020.

The Audit Committee has also met with the external auditor 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 2020 as set out in this preliminary announcement have been agreed by the Group's independent auditor, 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, 22 March 2021

As at the date of this announcement, the executive Directors are Mr. Fung Chiu Chak, Victor, Mr. Chiu Chin Hung and Mr. Lau Kin Fai, the Non-executive Directors are Mr. Justin Wai, Mr. David Robert McClure, Mr. Yuen Pak Man, Ms. Gu Ye and Ms. Hou Xiangjia; and the Independent Non-executive Directors are Mr. Lung Chee Ming, George, Mr. Li Kit Chee, Ms. Chow Wai Lee and Ms. Jennifer Kwok.

Company website: www.tysan.com