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TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

CONTINUING CONNECTED TRANSACTIONS

THE NEW MASTER AGREEMENT

On 16 December 2022, the Company (for itself and on behalf of other members of the Group) entered into the New Master Agreement with Mr. Victor Fung (for himself and on behalf of companies owned or controlled by Mr. Victor Fung) in respect of (i) the subcontracting of foundation works by the members of the Fung Group to the members of the Group; (ii) the subcontracting of building and construction works by the members of the Group to the members of the Fung Group or vice versa; or (iii) the subcontracting of EM works by the members of the Group to the members of the Fung Group.

Mr. Victor Fung is an executive Director and he is also a Shareholder who is indirectly interested in approximately 5% of the total issued share capital of the Company as at the date of this announcement. Mr. Victor Fung and companies owned or controlled by Mr. Victor Fung as to 30% or more are therefore connected persons of the Company pursuant to Chapter 14A of the Listing Rules, and the transactions between members of the Group and members of the Fung Group under the New Master Agreement will constitute continuing connected transactions for the Company. One or more of the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14A of the Listing Rules in relation to the Annual Caps are more than 0.1% but are all less than 5%. As the Continuing Connected Transactions are transactions of a revenue nature in the ordinary and usual course of business of the Group, the Continuing Connected Transactions will not constitute notifiable transactions under Chapter 14 of the Listing Rules, but will be continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Continuing Connected Transactions will be subject to the reporting, announcement and annual review requirements but will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE NEW MASTER AGREEMENT

Reference is made to the announcement of the Company dated 17 January 2020 in respect of, amongst others, the 2020 Master Agreement.

The 2020 Master Agreement is due to expire on 31 December 2022. It is expected that the Group may enter into transactions of a nature similar to the transactions under the 2020 Master Agreement from time to time, and therefore, in view of the above and in order to accommodate such transactions between the parties, on 16 December 2022, the Company (for itself and on behalf of other members of the Group) entered into the New Master Agreement with Mr. Victor Fung (for himself and on behalf of companies owned or controlled by Mr. Victor Fung).

The principal terms of the New Master Agreement are set out below:

- Date: 16 December 2022
- Parties: (1) The Company (for itself and on behalf of other members of the Group); and
- (2) Mr. Victor Fung (for himself and on behalf of companies owned or controlled by Mr. Victor Fung)

Continuing Connected Transactions: Under the New Master Agreement, the Appointor may at its discretion subcontract the whole or any part or parts of the works under a contract of works it has been awarded or appointed, to the Appointee in the ordinary and usual course of its business. The Appointor may do so by entering into separate and definitive agreements from time to time with the Appointee in the Prescribed Manner to provide for the detailed terms of each transaction in accordance with the principles set out in the New Master Agreement and subject to the Annual Caps.

Detailed terms under each separate agreement shall include, without limitation: (1) the scope of the works concerned with detailed specifications as to the particulars, extent and standards of the works to be undertaken and the price thereof; (2) the manner of payment and/or settlement for such works; (3) specifications as to the materials, if any, to be supplied; and (4) other terms and conditions in relation to the provision of the works concerned, provided that: (a) such detailed terms shall be on normal commercial bases and on terms no less favourable to the Group than those available to or from, as the case may be, independent third parties; (b) the pricing thereof shall be no less favourable than the prevailing market rate; and (c) such terms shall be fair and reasonable and in the interest of the Shareholders as a whole.

For the avoidance of doubt, depending on the circumstances, each of the parties to the New Master Agreement may be an Appointor on one occasion of subcontracting and an Appointee on another occasion.

Term: The New Master Agreement is for a term commencing from 1 January 2023 and ending on 31 December 2025, both days inclusive.

Historical values and annual caps

Set out below is a summary of (i) the historical amounts of the continuing connected transactions under the 2020 Master Agreement for the two years ended 31 December 2021 and the year ending 31 December 2022 up to the date of this announcement; (ii) the existing annual caps of the continuing connected transactions for the two years ended 31 December 2021 and the year ending 31 December 2022; and (iii) the proposed Annual Caps under the New Master Agreement for the three years ending 31 December 2025:

	Year ended 31 December 2020		Year ended 31 December 2021		Year ending 31 December 2022		Annual Caps for the three years ending 31 December 2025 pursuant to the New Master Agreement		
	(HK\$' million) (approx.)		(HK\$' million) (approx.)		(HK\$' million) (approx.)		(HK\$' million)		
	Actual amount under the 2020 Master Agreement	Cap amount under the 2020 Master Agreement	Actual amount under the 2020 Master Agreement	Cap amount under the 2020 Master Agreement	Actual amount under the 2020 Master Agreement up to the date of this announcement	Cap amount under the 2020 Master Agreement	Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
1. Foundation works	Nil	40	18.9	40	Nil	40	21	21	21
2. Building and construction works	Nil	60	Nil	60	Nil	60	29	29	29
3. EM works	Nil	5	Nil	5	Nil	5	2	2	2

The maximum aggregate value of the contract sum in respect of each category of works to be subcontracted by any party to another party to the New Master Agreement in the Prescribed Manner for each of the financial years concerned under the New Master Agreement shall not exceed the Annual Caps set out above.

To this end, there will be flexibility, if considered desirable, to reallocate all or part of the Annual Caps, by carrying forward any unutilized Annual Caps in case a project is delayed, or bringing forward part of the Annual Caps for the following year in case a project is accelerated. Such reallocation can be between the same or different categories of works. If there is such reallocation of Annual Caps, the Company will publish an announcement to inform the Shareholders accordingly.

The Annual Caps set out above have been determined by reference to: (1) the Group's turnover and the relevant divisions' turnover for the past three years; (2) an estimate of works required and the timing of the works; and (3) the current, prospective and future projects of the Group, and in particular in the foundation, building and construction sectors in Hong Kong. The values of the transactions carried out under the 2020 Master Agreement were substantially lower than the annual caps originally set under the 2020 Master Agreement. The vagaries affecting the Group's businesses mean that the contracts the Group bid for, and the value of each of the components of such contracts can vary substantially. The size of construction projects for which the Group members or members of the Fung Group are successfully awarded is not uniform or incremental and the timing of the award of projects is not under the control of the relevant member of the Group or the Fung Group, as the case may be. During the year ended 31 December 2020, there were no foundation works under the 2020 Master Agreement but for the year ended 31 December 2021, there were foundation works in the amount of approximately HK\$18.9 million subcontracted by the members of the Fung Group to the members of the Group. Whilst the Board considers that it would be appropriate to downward adjust the Annual Caps to more closely reflect the historical value of the transactions under the 2020 Master Agreement, the Board considers that certain flexibility needs to be maintained to cater for the uncertainties described above and the prospective and future projects of the Group. If the annual caps sought are too small, the Group and the Fung Group may only be able to subcontract a small number of jobs, or jobs of a smaller value to a member of the Fung Group, or vice versa. As such, the Annual Caps have been determined to cater for possible subcontracting works by the parties of the New Master Agreement on the basis of successful tenders of larger projects which the parties may wish to pursue.

As with the 2020 Master Agreement, under the New Master Agreement, there is no obligation or commitment for the Group or the Fung Group to grant any sub-contract to the other party. Ultimately, the granting of the sub-contracts will be subject to the terms of the sub-contract, which shall be on normal commercial bases and on terms no less favourable to the Group or the Fung Group, as the case may be, than terms available to or from, as the case may be, independent third parties.

INTERNAL CONTROL

The Company has put in place internal control procedures to ensure that individual transactions under the New Master Agreement will be conducted in accordance with the terms of the New Master Agreement. In order to ensure that the terms provided by the Fung Group in respect of the works to be subcontracted under the New Master Agreement are on normal terms or on terms no less favourable than those offered by independent third party, the parties will follow the following proposed pricing policy:

- (a) In respect of foundation works and building and construction works, their pricing shall be determined primarily through a bidding process whereby the Appointor shall seek quotations from at least one independent third party subcontractor. The Appointor shall make reference to the quotations from such independent third party and take into account industry data and market information when determining whether the price of the relevant works is the prevailing market rate. In determining the successful bidder in respect of such works, the Appointor shall also consider the potential bidder's ability to complete the relevant works according to schedules and its ability to meet the specification requirements.

- (b) In respect of EM works to be subcontracted under the New Master Agreement, their pricing shall be determined primarily through a bidding process whereby the Appointor will invite the Appointee to submit quotation for the relevant works.
- (c) In the event that it is not reasonably practicable to go through the bidding process in circumstances where (i) only limited expertise is available in the market for the relevant works; (ii) the profit margin for the relevant works is low; (iii) the relevant works are required to be done urgently; (iv) the contract sum of the relevant works is HK\$3,000,000 or less; (v) the relevant services are supervisory and of general management in nature; or (vi) where no quotation is submitted by other third party despite an invitation for bidding having been sent, the Appointor may invite quotations from the Appointee alone. The pricing of works and/or services under (i) to (vi) above shall be determined on arm's length negotiations between the Appointor and the Appointee based on a combination of industry experience, similar works carried out in the past, and industry/market knowledge, to ensure that the prices and terms of such works and/or services are no less favorable than that offered by independent subcontractor for other similar projects.

The operations department of the Group will keep track of the actual contract sum of subcontracting works under the New Master Agreement from time to time to ensure that the aggregate value of such contract sums will not exceed the Annual Caps. Prior to entering into individual transaction with member(s) of the Fung Group under the New Master Agreement, the parties will promptly provide details of such proposed transaction including the relevant agreement to the finance and accounts department and the company secretarial department of the Company for their review.

The separate agreement in respect of such proposed transaction will not be executed unless and until the above departments of the Company have confirmed that the aggregate value of the contract sums (including the contract sum of the proposed transaction) under the New Master Agreement will not exceed the Annual Caps. If it is contemplated that the Annual Caps will be exceeded as a result of entering into the proposed transaction, such transaction will not be entered into until after the Company has re-complied with the relevant requirements under the Listing Rules.

On the basis of the above, the Directors are of the view that the Group has adequate internal control procedures in place to ensure that individual transactions under the New Master Agreement will be conducted in accordance with the terms of the New Master Agreement.

REASONS FOR AND BENEFITS OF THE NEW MASTER AGREEMENT AND THE CONTINUING CONNECTED TRANSACTIONS

The Company is incorporated under the laws of Bermuda with limited liability, and is an investment holding company. The principal business of the Group includes foundation piling and site investigation, property development and investment, and investment business.

Mr. Victor Fung is an executive Director and he is also a Shareholder who is indirectly interested in approximately 5% of the total issued share capital of the Company as at the date of this announcement. As at the date of this announcement, Tysan Building and Tysan Engineering (both of which are owned and controlled by Mr. Victor Fung and are members of the Fung Group) are principally engaged in building and construction works and EM works, respectively. If the Group were to secure contracts which included components for such building and construction or EM works, it may need to be subcontracted out anyway. Conversely, certain members of the Group such as Tysan Foundation and its subsidiaries have expertise in foundation, piling and site investigation works, whilst the Fung Group does not have its own internal expertise or resources. Where the Fung Group wins a tender where components of the work include foundation works, it would have to subcontract such works to outside parties anyway. The New Master Agreement allows the Group and the Fung Group to utilize the expertise of one another by way of subcontracting. This would potentially improve business activities and operations of the Group and would provide the Group with better competitive edge and control of the projects concerned. The joint efforts of the parties would also provide the clients concerned with a more comprehensive, coordinated and efficient service in the common interests of the Group and the Fung Group.

Since such subcontracting transactions between members of the Group and the Fung Group would continue on an ongoing basis, the New Master Agreement was entered into among the parties to regulate the business relationship and continuing transactions among them from time to time. Any transactions which are subcontracted between the Group and the Fung Group would be subject to separate definitive agreements agreed under the framework of the New Master Agreement.

The Directors (including the independent non-executive Directors but excluding Mr. Victor Fung who had abstained from voting on the Board approval of the New Master Agreement) consider that the New Master Agreement and the Continuing Connected Transactions contemplated thereunder are and will be of the types that are entered into are on normal commercial terms, in the ordinary and usual course of business of the companies concerned within the Group and on a frequent and regular basis. They therefore consider that it would be more appropriate and in the interest of business efficacy to set out in the New Master Agreement the principles governing such transactions. The Directors (including the independent non-executive Directors but excluding Mr. Victor Fung who had abstained from voting on the Board approval of the New Master Agreement) consider that the terms of the New Master Agreement, the Continuing Connected Transactions and the Annual Caps contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As Mr. Victor Fung is a party to the New Master Agreement, he abstained from voting on the relevant resolutions approving the New Master Agreement and the transactions contemplated thereunder at the relevant Board meeting.

LISTING RULES IMPLICATIONS

Mr. Victor Fung is an executive Director and he is also a Shareholder who is indirectly interested in approximately 5% of the total issued share capital of the Company as at the date of this announcement. Mr. Victor Fung and companies owned or controlled by Mr. Victor Fung as to 30% or more are therefore connected persons of the Company pursuant to Chapter 14A of the Listing Rules, and the transactions between members of the Group and members of the Fung Group under the New Master Agreement will constitute continuing connected transactions for the Company. One or more of the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14A of the Listing Rules in relation to the Annual Caps are more than 0.1% but are all less than 5%. As the Continuing Connected Transactions are transactions of a revenue nature in the ordinary and usual course of business of the Group, the Continuing Connected Transactions will not constitute notifiable transactions under Chapter 14 of the Listing Rules, but will be continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Continuing Connected Transactions will be subject to the reporting, announcement and annual review requirements, but will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

“2020 Master Agreement”	the master agreement dated 17 January 2020 entered into between the Company (for itself and on behalf of other members of the Group) and Mr. Victor Fung (for himself and on behalf of companies owned or controlled by him) in respect of the subcontracting of works, whether in whole or in part, among them in the manner prescribed thereunder
“Annual Caps”	the maximum aggregate value of the contract sum in respect of each category of works to be subcontracted under the New Master Agreement for each financial year concerned as set out in this announcement
“Appointee”	any member of the Group or the Fung Group which has been subcontracted by the Appointor in respect of the whole or any part or parts of the works that the Appointor has been awarded or appointed with
“Appointor”	any member of the Group or the Fung Group which has been awarded or appointed with a contract for works for which it may deem appropriate to subcontract the whole or any part or parts of such works to any members of the Group or the Fung Group (as the case may be)
“Board”	the board of Directors
“Company”	Tysan Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange

“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the New Master Agreement
“Director(s)”	the director(s) of the Company
“EM works”	electrical and mechanical engineering works
“Fung Group”	the companies owned or controlled by Mr. Victor Fung including but not limited to Tysan Building and Tysan Engineering
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Victor Fung”	Mr. Fung Chiu Chak, Victor, an executive Director and the Vice-Chairman of the Company
“New Master Agreement”	the master agreement dated 16 December 2022 entered into between the Company (for itself and on behalf of other members of the Group) and Mr. Victor Fung (for himself and on behalf of companies owned or controlled by him) in respect of the subcontracting of works, whether in whole or in part, among them in the Prescribed Manner
“Prescribed Manner”	<ol style="list-style-type: none"> (1) the subcontracting of foundation works by the members of the Fung Group to the members of the Group; or (2) the subcontracting of building and construction works by the members of the Group to the members of the Fung Group or vice versa; or (3) the subcontracting of EM works by the members of the Group to the members of the Fung Group
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holder(s) of Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tysan Building”	Tysan Building Construction Company Limited, a company incorporated in Hong Kong with limited liability, the entire equity interest of which is held by a company wholly-owned by Mr. Victor Fung
“Tysan Engineering”	Tysan Engineering (H.K.) Company Limited, a company incorporated in Hong Kong with limited liability, which is held as to (i) 20,599,999 ordinary shares by Tysan Engineering Company Limited (which is indirectly owned as to 78% by Mr. Victor Fung) and (ii) one ordinary share by Mr. Victor Fung
“Tysan Foundation”	Tysan Foundation (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company

By order of the Board of
Tysan Holdings Limited
Fung Chiu Chak, Victor
Vice Chairman

Hong Kong, 16 December 2022

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. Vikram Garg, 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