

Chairman's Statement

I am pleased to present the annual report of Tysan Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2020. During the year under review, the Group recorded a loss attributable to equity holders of the Company of HK\$105 million, equivalent to a loss of HK\$0.031 per share of the Company ("Share") (31 December 2019: loss of HK\$767 million, equivalent to a loss of HK\$0.228 per Share) while turnover was HK\$3,054 million (31 December 2019: HK\$2,721 million).

Dividend

The board (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). 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 Limited ("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 Investments Limited 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.

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Financial Review *(Cont'd)*

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.

Appreciation

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

On behalf of the Board

Justin WAI
Chairman

Hong Kong
22 March 2021