

Report of the Directors

The board (“the Board”) of directors of the Company (“Director(s)”) herein present their report and the audited financial statements of the Group for the year ended 31 December 2020.

Principal Activities and Business Review

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

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

Details of the business review information are set out in the section headed “Chairman’s Statement” on pages 2 to 4 of this annual report.

Environmental Policies and Performance

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

“Environmental, Social and Governance Report” will be published by the end of May 2021. For details, please refer to the Company’s website.

Compliance with Laws and Regulations

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

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

Risks and Uncertainties

Principal risks and uncertainties that the Company may face have been disclosed in the section headed “Chairman’s Statement” on pages 2 to 4 of this annual report. In addition, details of the Group’s financial risk management are disclosed in note 38 to the financial statements of this annual report.

Principal Activities and Business Review (Cont'd)

Relationships with Employees, Customers and Suppliers

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

Results and Dividends

The Group's loss for the year ended 31 December 2020 and the Group's financial position at that date are set out in the financial statements on pages 45 to 133.

Special dividend of HK\$0.24 per ordinary share of the Company was paid on 29 April 2020. The Board has resolved not to recommend any final dividend in respect of the year ended 31 December 2020.

Summary Financial Information

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

	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2019 HK\$'000	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000	Period from 1 April 2016 to 31 December 2016 HK\$'000
Profit/(loss) attributable to ordinary equity holders of the Company	<u>(104,882)</u>	<u>(766,655)</u>	<u>360,908</u>	<u>6,004</u>	<u>134,050</u>
Total assets	<u>2,267,268</u>	<u>4,899,657</u>	<u>17,337,359</u>	<u>19,769,192</u>	<u>5,526,957</u>
Total liabilities	<u>834,141</u>	<u>2,577,791</u>	<u>5,174,696</u>	<u>7,551,191</u>	<u>2,567,227</u>
Equity attributable to ordinary equity holders of the Company	<u>1,433,127</u>	<u>2,321,866</u>	<u>12,162,665</u>	<u>12,217,991</u>	<u>2,949,371</u>
Non-controlling interests	<u>–</u>	<u>–</u>	<u>(2)</u>	<u>10</u>	<u>10,359</u>
	<u>2,267,268</u>	<u>4,899,657</u>	<u>17,337,359</u>	<u>19,769,192</u>	<u>5,526,957</u>

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Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 27 and 28 to the financial statements.

Pre-Emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Distributable Reserves

At the end of the reporting period, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981, amounted to HK\$1,523,223,000.

Major Customers and Suppliers

During the year under review, sales to the Group's five largest customers accounted for 51% of the total sales for the year and sales to the largest customer included therein amounted to 17%. Purchases from the Group's five largest suppliers accounted for 52% of the total purchases for the year.

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

Directors

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

Executive Directors:

Mr. Fung Chiu Chak, Victor

Mr. Chiu Chin Hung

Mr. Lau Kin Fai

(appointment effective from 1 July 2020)

(appointment effective from 1 July 2020)

Directors (Cont'd)

Non-Executive Directors:

Mr. Justin Wai	
Mr. Yuen Pak Man	
Ms. Gu Ye	(appointment effective from 1 April 2020)
Ms. Hou Xiangjia	(appointment effective from 1 April 2020)
Mr. David Robert McClure	(resignation effective from 1 July 2020 and reappointment effective from 6 November 2020)
Mr. Lau Che Hang Alex	(resignation effective from 1 April 2020)
Mr. Wu Charles Hsing-yuan	(resignation effective from 1 April 2020)
Mr. Wang Tianbing	(resignation effective from 6 November 2020)

Independent Non-Executive Directors:

Mr. Lung Chee Ming, George	
Mr. Li Kit Chee	
Ms. Chow Wai Lee	(appointment effective from 1 July 2020)
Ms. Jennifer Kwok	(appointment effective from 1 July 2020)
Mr. Fan Chor Ho	(resignation effective from 1 July 2020)
Mr. Tse Man Bun	(resignation effective from 1 July 2020)

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

The Company has received annual confirmations of independence from Mr. Lung Chee Ming, George, Mr. Li Kit Chee, Ms. Chow Wai Lee and Ms. Jennifer Kwok and as at the date of this report still considers them to be independent.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 5 to 8 of the annual report.

Directors' Service Contracts

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

Report of the Directors

Permitted Indemnity Provision

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

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

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in note 34 to the financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding companies of the Company or any of the Company's subsidiaries was a party during the year.

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

At 31 December 2020, the interests and long positions of the Directors and chief executive of the Company ("Chief Executive") in the shares of the Company ("Shares") and underlying Shares or the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), was as follows:

Long Position in Shares

Name of Director	Number of Shares indirectly beneficially owned
Mr. Fung Chiu Chak, Victor	168,380,000

Save as disclosed above, as at 31 December 2020, none of the Directors or Chief Executive had registered any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

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

Equity-Linked Arrangements

Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 3 December 2020, the Company adopted a new share option scheme (the "New Scheme") and the scheme adopted on 8 August 2012 (the "Old Scheme") was terminated on the same day. Further details of the New Scheme are disclosed in note 28 to the financial statements.

As at the date of the termination of the Old Scheme, there was no outstanding share option under the Old Scheme. From 3 December 2020, the date of adoption of the New Scheme, to the date of this report, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the New Scheme.

At no time during the year ended 31 December 2020 were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Director or their respective spouses or minor children, or Chief Executive or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate under the New Scheme.

Report of the Directors

Substantial Shareholders' Interests in Shares and Underlying Shares

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

Long positions in Shares:

Name	Capacity	Number of Shares held	Approximate percentage of the Company's issued Share capital
Blackstone Group Management L.L.C. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Holdings IV GP L.P. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Holdings IV GP Limited Partner L.L.C. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Holdings IV GP Management (Delaware) L.P. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Holdings IV GP Management L.L.C. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Holdings IV GP Sub L.P. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Holdings IV L.P. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
SCHWARZMAN Stephen A. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
The Blackstone Group Inc. ⁽¹⁾	Interest of controlled corporation	2,356,146,781	70.00
Blackstone Real Estate Associates Asia II L.P. ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
Blackstone Real Estate Partners Asia II L.P. ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
BREP Asia II Holdings I (NQ) L.P. ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
BREP Asia II Holdings I (NQ) Pte. Ltd. ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
BREP Asia II L.L.C. ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
BREP Asia II Ltd. ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
Times Holdings I Limited ⁽²⁾	Interest of controlled corporation	2,291,316,850	68.07
Times Holdings II Limited ("Times Holdings II")	Beneficial owner	2,291,316,850	68.07
Chen Wai Wai Vivien ⁽³⁾	Executor or administrator	286,100,000	8.50

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

Long positions in Shares: (Cont'd)

Name	Capacity	Number of Shares held	Approximate percentage of the Company's issued Share capital
Chow Suk Han, Anna ⁽³⁾	Executor or administrator	286,100,000	8.50
Lee Pui Ling, Angelina ⁽³⁾	Executor or administrator	286,100,000	8.50
Chen's Group International Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Chen's Group Holdings Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Nan Fung International Holdings Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Nan Fung Group Holdings Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
NF Investment Holdings Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Keymark Associates Limited ⁽⁴⁾	Interest of controlled corporation	286,100,000	8.50
Gavast Estates Limited	Beneficial owner	286,100,000	8.50
中國交通建設股份有限公司 ⁽⁵⁾	Interest of controlled corporation	171,000,000	5.08
中國路橋工程有限責任公司 ⁽⁵⁾	Interest of controlled corporation	171,000,000	5.08
中交疏浚(集團)股份有限公司 ⁽⁵⁾	Interest of controlled corporation	171,000,000	5.08
香港海事建設有限公司	Beneficial owner	171,000,000	5.08
Fung Chiu Chak, Victor ("Mr. Fung") ⁽⁶⁾	Interest of controlled corporation	168,380,000	5.00
Dragon's Eye Pacific Limited	Beneficial owner	168,380,000	5.00

Notes:

1. These parties were deemed to have interests in long positions in 2,356,146,781 Shares under the SFO by virtue of their equity interests in Tides Holdings II Ltd. and Times Holdings II.
2. These parties were deemed to have interests in long positions in 2,291,316,850 Shares under the SFO by virtue of their equity interests in Times Holdings II.
3. These parties were executors of estate of Chen Din Hwa and deemed to have interests in long positions in 286,100,000 Shares under the SFO by a trust holding equity interests in Gavast Estates Limited.

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

Long positions in Shares: (Cont'd)

Notes: (Cont'd)

4. These parties were deemed to have interests in long positions in 286,100,000 Shares under the SFO by virtue of their equity interests in Gavast Estates Limited.
5. These parties were deemed to have interests in long positions in 171,000,000 Shares under the SFO by virtue of their equity interests in 香港海事建設有限公司.
6. Mr. Fung was deemed to have interests in long positions in 168,380,000 Shares under the SFO by virtue of his equity interests in Dragon's Eye Pacific Limited.

Apart from the foregoing, as at 31 December 2020, no person, other than the Directors and Chief Executive, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Long Positions in Shares and Underlying Shares" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to section 336 of the SFO.

Connected Transactions

(a) Non-exempt continuing connected transactions

2020 Master Agreement

On 17 January 2020, the Company (for itself and on behalf of other members of the Group) entered into a new master agreement (the "2020 Master Agreement") with Mr. Fung (for himself and on behalf of companies owned or controlled by Mr. Fung, collectively "Fung Group") 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; (iii) the subcontracting of electrical and mechanical engineering works by the members of the Group to the members of the Fung Group; or (iv) the subcontracting of rental of tower cranes and provision of engineering services by the members of the Fung Group to the members of the Group, for a term commencing from 1 January 2020 and ending on 31 December 2022, both days inclusive.

During the year ended 31 December 2020, Tysan Building Construction Company Limited ("TBC") subcontracted rental and engineering works relating to tower cranes of approximately HK\$684,000 to Proficiency Engineering Limited ("PEN").

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

Connected Transactions (Cont'd)

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

2020 Master Agreement (Cont'd)

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

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

The amount in respect of the continuing connected transaction mentioned above during the year under review has not exceeded the annual cap, where applicable, for the transaction.

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

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

- (1) has not been approved by the board of Directors;
- (2) was not, in all material respects, in accordance with the pricing policies of the Group if the transaction involves provision of goods or services by the Group;
- (3) was not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and
- (4) has exceeded the cap disclosed in the Company's announcement dated 17 January 2020.

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Connected Transactions (Cont'd)

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

On 27 December 2019, Mr. Sun, a then executive director of the Company, entered into a consultancy agreement with Fundamental Assets Limited, a wholly-owned subsidiary of the Company. Pursuant to the consultancy agreement, Mr. Sun was engaged as a consultant to provide consultancy services to the Group for a period of two years, with effect from 1 January 2020 for a monthly fixed fee of HK\$320,000 and a discretionary incentive payment in addition to his monthly consultancy fee. The consultancy agreement may be terminable by either party giving the other party not less than two months' prior notice in writing. During the year ended 31 December 2020, the Group paid consultancy fee of HK\$3,840,000 to Mr. Sun.

Pursuant to Rule 14A.07(2) of the Listing Rules, Mr. Sun remains a connected person of the Company for a period of 12 months from the date of his resignation as an executive director of the Company. The entering into of the consultancy agreement between Fundamental Assets Limited and Mr. Sun and the transactions contemplated thereunder therefore constitute a connected transaction for the Company during the year ended 31 December 2020.

(c) Sub-lease of a closed storage space

On 11 December 2018 and 5 March 2020, Proficiency Equipment Limited (“PEL”) and TBC entered into licence agreements respectively, for sub-lease of a closed storage space in PEL's warehouse at a licence fee of (i) HK\$10,000 per month from 15 January 2019 to 30 November 2019 and (ii) HK\$13,000 per month from 1 December 2019 to 31 December 2020. The licence agreements were terminated on 20 June 2020. During the year ended 31 December 2020, PEL recorded licence income of approximately HK\$77,000 from TBC.

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

Sufficiency of Public Float

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

Auditor

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

BY ORDER OF THE BOARD

Justin Wai
Chairman

Hong Kong
22 March 2021