



TYSAN HOLDINGS LIMITED

泰昇集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : 687)

Annual Report

2020

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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.

Chairman's Statement

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

Directors and Senior Management Profiles

Executive Directors

Mr. FUNG Chiu Chak, Victor, aged 66, joined the Group in May 1994 as an Executive Director of the Company. He is a Vice Chairman of the Board, a member of each of the Nomination Committee and Remuneration Committee of the Board, an authorized representative of the Company as required under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and an authorized representative of the Company pursuant to Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Mr. Fung is also a director of various subsidiaries of the Company. He is primarily responsible for business development, strategic planning as well as general and project management of the Group. Mr. Fung has over 41 years' experience in the field of consulting engineering, construction management and property development.

Mr. CHIU Chin Hung, aged 68, joined the Group in July 1994 and served as an executive director of the Company from July 2003 to July 2017. Mr. Chiu was re-appointed as an Executive Director of the Company in July 2020. Mr. Chiu has been the President of the Foundation Division of the Group since July 2017 when he resigned as an executive director of the Company, and is primarily responsible for the business development and management of the Group's Foundation Division. He is also a director of various subsidiaries of the Company. Mr. Chiu graduated from The University of Aberdeen, Scotland. He has over 42 years' experience in foundation design and construction works and is a Fellow Member of The Institute of Civil Engineers and The Hong Kong Institution of Engineers as well as a Chartered Engineer. Mr. Chiu has been a Council Member of The Hong Kong Construction Association representing Tysan Foundation Limited since 2001.

Mr. LAU Kin Fai, aged 59, joined the Group in July 2008 and served as an executive director of the Company from October 2010 to July 2017. Mr. Lau was re-appointed as an Executive Director of the Company in July 2020. Mr. Lau has been primarily responsible for the business development and management of the Group's property development business after he resigned as an executive director of the Company in July 2017, and he is currently the President of the Property Development & Investment Division of the Group. He is also a director of various subsidiaries of the Company overseeing the operations of machinery leasing and trading, facilitating the review of the Group's risk management and internal control systems, and performing various responsibilities delegated by members of the Board. Prior to joining the Group, Mr. Lau has over 25 years' experience in the field of quantity surveying and housing development. He is a Fellow Member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors.

Directors and Senior Management Profiles

Non-Executive Directors

Mr. Justin WAI, aged 37, re-joined the Group in April 2019 as a Non-executive Director of the Company. Mr. Wai is the Chairman of the Board, the Chairman of the Nomination Committee of the Board, a member of the Remuneration Committee of the Board, an authorized representative of the Company as required under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and an authorized representative of the Company pursuant to Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Mr. Wai is also a director of various subsidiaries of the Company. Mr. Wai is a managing director of the Real Estate Group of Blackstone based in Hong Kong. Since joining Blackstone in 2007, Mr. Wai has focused on acquiring and managing real estate investments in Greater China. Mr. Wai was a non-executive director of the Company from 1 April 2014 to 29 July 2016.

Mr. David Robert MCCLURE, aged 42, re-joined the Group in November 2020 as a Non-executive Director of the Company after having been a non-executive director of the Company from 11 April 2019 to 30 June 2020. Mr. McClure is a senior managing director in the Real Estate Group and the head of asset management for Asia Pacific of Blackstone, based in Hong Kong.

Mr. YUEN Pak Man, aged 32, joined the Group in April 2019 as a Non-executive Director of the Company. Mr. Yuen currently acts as a member of each of the Nomination Committee and Remuneration Committee of the Board. Mr. Yuen is also the alternate to Mr. Fung Chiu Chak, Victor as an authorized representative of the Company as required under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Mr. Yuen received a degree of Master of Science in Management Science and Engineering and a degree of Bachelor of Science in Computer Science from Stanford University. Mr. Yuen is a principal in the Real Estate Group of Blackstone and he focuses on acquiring and managing real estate investments in Greater China.

Ms. GU Ye, aged 30, joined the Group in April 2020 as a Non-executive Director of the Company. Ms. Gu is a principal of the Real Estate Group of Blackstone based in Hong Kong. Since joining Blackstone in 2013, Ms. Gu has been focusing on the acquisition and management of real estate investments in the Greater China and Japan.

Ms. HOU Xiangjia, aged 37, joined the Group in April 2020 as a Non-executive Director of the Company. Ms. Hou is a vice president at Blackstone and she manages the Asian tax affairs for the Real Estate Group of Blackstone.

Directors and Senior Management Profiles

Independent Non-Executive Directors

Mr. LUNG Chee Ming, George, aged 64, was appointed as an Independent Non-executive Director of the Company in August 2007. Mr. Lung currently acts as the Chairman of the Remuneration Committee of the Board and a member of each of the Audit Committee and Nomination Committee of the Board. He is a senior executive regional director of Manulife (International) Limited leading a team of around 1,400 insurance/financial advisers. He first joined Manulife in 1990 and has since achieved outstanding results. Actively involved in community services, Mr. Lung was amongst one of the Ten Outstanding Young Persons of Hong Kong in 1995 and was the chairman of The Outstanding Young Persons Association from 2003 to 2004. Mr. Lung was awarded the Medal of Honour and Bronze Bauhinia Star by the Government of Hong Kong Special Administrative Region in 2001 and 2014. Furthermore, Mr. Lung is a committee member of the Board of Governors of Hong Kong Shue Yan University, a member of the Guangdong Daya Bay Nuclear Power Station/Lingao Nuclear Power Station, Nuclear Safety Consultative Committee, the founding chairman of Hong Kong Youth Exchange Promotion United Association and a chairperson of “Passing on the Torch” National Education Activity Series of Education Bureau. He is also the executive vice chairman and secretary general of Federation of Hong Kong Guangdong Community Organisations. Mr. Lung is currently a member of the National Committee of the Chinese People’s Political Consultative Conference and Justice of the Peace of Hong Kong Special Administrative Region. He served as a non-executive director of Lamtex Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1041) from July 2015 to December 2018.

Mr. LI Kit Chee, aged 66, was appointed as an Independent Non-executive Director of the Company in March 2013. Mr. Li currently acts as the Chairman of the Audit Committee of the Board, a member of each of the Remuneration Committee and Nomination Committee of the Board. He holds a Bachelor Degree of Social Sciences from the University of Hong Kong. He has over 36 years of experience in auditing, accounting and secretarial services and is a fellow member of both the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. He is a managing director of Arthur Li, Yau & Lee C.P.A. Limited, and also a director of Cheong Yip Secretary Limited which is principally engaged in the provision of corporate services. He is also an independent non-executive director of National Arts Entertainment and Culture Group Limited (a company listed on the GEM of the Hong Kong Stock Exchange, stock code: 8228). He served as an independent non-executive director of Henry Group Holdings Limited (currently known as Zhongchang International Holdings Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 859) from April 2007 to February 2018.

Ms. CHOW Wai Lee, JP, aged 57, was appointed as an Independent Non-executive Director of the Company in July 2020. Ms. Chow currently acts as a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. Ms. Chow is a registered architect under the Architects Registration Ordinance (Chapter 408 of the Laws of Hong Kong) and a Fellow of The Hong Kong Institute of Architects. She has almost 30 years of experience in the construction and architecture industry. Ms. Chow was appointed as a Justice of the Peace in 2002 by the Government of the Hong Kong Special Administrative Region.

Ms. Jennifer KWOK, aged 54, was appointed as an Independent Non-executive Director of the Company in July 2020. Ms. Kwok currently acts as a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. She first joined the Group in January 1997 and served as an executive director of the Company from January 1998 to July 2014. She resigned as an executive director and as a director of the subsidiaries of the Company in July 2014 following the completion of a voluntary general offer made by a subsidiary of The Blackstone Group Inc. (formerly known as The Blackstone Group L.P.) for all the issued shares in the Company. During her tenure with the Company, Ms. Kwok was primarily responsible for the Company’s planning and development, corporate governance, corporate finance and investment strategies. She also established and participated in the Audit Committee, Remuneration Committee and Nomination Committee of the Board. Prior to first joining the Company in 1997, Ms. Kwok was an associate director of an investment bank during 1993 to 1996 with a focus on initial public offerings, merger and acquisitions and various corporate finance activities and providing financial advisory services to listed companies in Hong Kong. She has over 28 years’ of experience in the finance field specializing in corporate finance and direct investment and holds a Master of Science Degree in Management from Massachusetts Institute of Technology Sloan School of Management.

Directors and Senior Management Profiles

Senior Management

Ms. YIP Pui Shan, aged 42, joined the Group in November 2010. Ms. Yip received a bachelor's degree in accounting and finance from The University of Hong Kong in 2000. Ms. Yip was appointed as the Financial Controller of the Group in January 2020. She is responsible for overall financial and accounting matters of the Group. Ms. Yip has over 20 years' experience in the field of auditing, internal control, accounting and financial management. Prior to joining the Group, Ms. Yip had been working in an international audit firm for over 10 years from 2000 to 2010, accumulating experience in auditing and financial consultancy for acquisition and initial public offering. She is qualified as a member of Hong Kong Institute of Certified Public Accountants.

Mr. LAI Kok Wai, aged 62, joined the Group in July 1994. As a Director of Tysan Foundation Holdings Limited, Tysan Foundation Limited, Tysan Foundation Geotechnical Limited, Tysan Contractors (Hong Kong) Limited and Tysan Construction (Macau) Limited. Mr. Lai is responsible for the planning, coordinating and controlling of the technical operations and administration of the Foundation Division. He has over 40 years' experience in civil engineering, building and foundation design and construction works and is a member of both The Hong Kong Institution of Engineers (MHKIE) and The Institution of Civil Engineers United Kingdom (MICE). Mr. Lai also represents Tysan Foundation Limited to sit in various Government's panels and committees. Mr. Lai is also a Director of Proficiency Engineering Limited and Proficiency Equipment Limited. He is also responsible for the business development and management of machinery leasing and trading.

Ms. WONG Suk Han Kitty, aged 57, joined the Group in June 2007. As the Company Secretary of the Group and Director of Corporate Affairs, Ms. Wong is primarily responsible for company secretarial matters, legal, human resources and administration, and investor relations matters. She is also the alternate to Mr. Justin Wai as an authorized representative of the Company as required under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. She has over 23 years of experience in the corporate finance and legal fields. Ms. Wong is a Solicitor qualified in Hong Kong and has been admitted as a Solicitor of the Supreme Court of England and Wales.

Tysan Holdings Limited (the “Company”) is committed to maintaining good corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). For the financial year ended 31 December 2020, the Company has fully complied with the CG Code save as disclosed in sections (D) and (F) below.

(A) Board of Directors

The board (the “Board”) of directors of the Company (“Directors”) oversees the management, business, strategic directions and financial performance of the Company and its subsidiaries (the “Group”). It has delegated the day-to-day responsibility to the executive director(s) (the “Executive Director(s)”) and senior management of the Company (the “Senior Management”) who perform their duties under the leadership of the chairman of the Company (the “Chairman”). At the time of delegation, the Board gives clear directions to Executive Director(s) as to the matters that must be approved by the Board before decisions can be made on behalf of the Group. The functions reserved to the Board and delegated to the Executive Director(s) and Senior Management are reviewed by the Board to ensure that such delegation remains appropriate to the needs of the Group. The management has ensured sufficient explanation and information were provided to the Board to enable it to make an informed assessment of the financial and other information tabled for approval. The Board members have access to appropriate business documents and information about the Group on a timely basis.

(B) Board Composition

The Board comprises a total of 12 Directors, with three Executive Directors, being Mr. Fung Chiu Chak, Victor, Mr. Chiu Chin Hung and Mr. Lau Kin Fai; five non-executive Directors (the “Non-executive Director(s)”), being Mr. Justin Wai, Mr. David Robert McClure, Mr. Yuen Pak Man, Ms. Gu Ye and Ms. Hou Xiangjia and four independent non-executive Directors (the “Independent Non-executive Director(s)”), being Mr. Lung Chee Ming, George, Mr. Li Kit Chee, Ms. Chow Wai Lee and Ms. Jennifer Kwok. The Board comprises Directors with diverse backgrounds and/or extensive expertise in the Group’s business. The Independent Non-executive Directors have a wide range of business and financial experience. They represent one-third of the Board who consistently exercise independent judgment. With a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors), there is a strong independent element on the Board. The balance of skills, experience and diversity of perspectives of the Board contribute to the effective direction of the Company.

During the financial year ended 31 December 2020, the Company has fully complied with Rules 3.10 and 3.10A of the Listing Rules regarding the number of Independent Non-executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

The Company has received written confirmations of independence from all the Independent Non-executive Directors for the financial year ended 31 December 2020 in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules.

Changes in information of members of the Board and Board committees since the publication of the interim report of the Company for the six months ended 30 June 2020 and up to the date of this report are as follows:

- (1) Mr. Wang Tianbing resigned as a Non-executive Director, and a member of each of the nomination committee of the Board (the “Nomination Committee”) and remuneration committee of the Board (the “Remuneration Committee”) with effect from 6 November 2020;
- (2) Mr. David Robert McClure was re-appointed as a Non-executive Director with effect from 6 November 2020; and

Corporate Governance Report

(B) Board Composition *(Cont'd)*

- (3) Mr. Yuen Pak Man was appointed as a member of each of the Nomination Committee and Remuneration Committee with effect from 6 November 2020.

An updated list of Directors identifying their roles and functions and whether they are Executive Directors, Non-executive Directors or Independent Non-executive Directors has been maintained on the Company's website (www.tysan.com) (the "Company's website") and the Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk) (the "HKEX's website").

(C) Chairman

Mr. Justin Wai, the Chairman, leads the Board and is responsible for the formation of the Group's strategies, overall policy making, and direction of its business development. He is also responsible for leading and effective running of the Board and ensuring that all significant and key issues are discussed and where required, resolved by the Board in a timely manner.

The Chairman takes primary responsibility for the following matters:

- (1) to ensure that all Directors are properly briefed on issues arising at Board meetings;
- (2) to ensure that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;
- (3) to ensure that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner; drawing up and approving the agenda for each Board meeting. The Chairman should take into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate this responsibility to a designated Director or the company secretary of the Company (the "Company Secretary");
- (4) to ensure good corporate governance practices and procedures are established;
- (5) to encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company, and to encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus;
- (6) to hold meetings at least annually with the Independent Non-executive Directors without the other Directors' presence;
- (7) to ensure that appropriate steps are taken to provide effective communication with shareholder(s) of the Company (the "Shareholder(s)") and that their views are communicated to the Board as a whole; and
- (8) to promote a culture of openness and debate by facilitating the effective contribution of Non-executive Directors in particular and ensuring constructive relations between Executive and Non-executive Directors.

Mr. Fung Chiu Chak, Victor, the vice chairman of the Company ("Vice Chairman"), is responsible for business development, strategic planning as well as general and project management of the Group. He is responsible for implementing the Group's strategy to achieve business objectives with the assistance of other Executive Directors and Senior Management.

During the year ended 31 December 2020, no chief executive officer was appointed.

(D) Board Proceedings

The Board meets at least four times a year at approximately quarterly intervals and additional meetings will be held as and when required. During the financial year ended 31 December 2020, the Board held 8 meetings (save for the executive Board meetings held between the Executive Directors during the normal course of business of the Company). Attendance by a Director at a meeting by means of a conference telephone or other communications equipment is allowed under the bye-laws of the Company (the “Bye-laws”).

The Company Secretary assists the Chairman in establishing the meeting agenda and each Director may request inclusion of items in the agenda. A notice of at least 14 days is given to all Directors for regular Board meetings. Pursuant to CG Code Provision A.7.1, an agenda and accompanying Board papers should be sent, in full, to all Directors for regular Board meetings and as far as practicable in all other cases. 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.

With the assistance of the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising at Board meetings, and that they receive in a timely manner, adequate information which are accurate, clear, complete and reliable to assist them to make informed decisions and discharge their duties as Directors. The Board members have separate and independent access to the Senior Management whenever necessary. Upon reasonable request, the Directors and Board committees will also have access to independent professional advice in appropriate circumstances at the Company’s expense. The Company has also arranged appropriate insurance cover for Board members and Senior Management, and the Company reviews the coverage on an annual basis or as appropriate.

Meeting minutes of the Board and Board committees are recorded in appropriate details and draft minutes are circulated to respective members for comments before being approved by the Board and Board committees. All minutes are kept by the Company Secretary or the secretary to the committee as the case may be, and are open for inspection by the Directors.

According to the Bye-laws and the Listing Rules, any material transaction that involves a conflict of interests for a substantial Shareholder(s) or a Director(s) will be considered and dealt with by the Board at a duly convened Board meeting. The interested Director(s) shall abstain from voting and shall not be counted in the quorum at meetings for approving transactions in which such Director(s) or any of his/their associates has/have a material interest.

The Company provides Board members with monthly management reports which contain changes and developments of the Group’s business and facilitates them to make informed decisions and discharge their duties and responsibilities as Board members.

Corporate Governance Report

(D) Board Proceedings (Cont'd)

The attendance of each Board member for the Board meetings and the general meeting held during the financial year ended 31 December 2020 is as follows:

Name of Directors	Board Meeting Attendance	Annual General Meeting Attendance
<i>Executive Directors</i>		
Mr. Fung Chiu Chak, Victor (<i>Vice Chairman</i>)	8/8	1/1
Mr. Chiu Chin Hung ⁽¹⁾	4/4	–
Mr. Lau Kin Fai ⁽¹⁾	4/4	–
<i>Non-executive Directors</i>		
Mr. Justin Wai (<i>Chairman</i>)	8/8	1/1
Mr. David Robert McClure ⁽²⁾	2/4	0/1
Mr. Yuen Pak Man	8/8	1/1
Ms. Gu Ye ⁽³⁾	4/5	1/1
Ms. Hou Xiangjia ⁽³⁾	4/5	1/1
Mr. Wang Tianbing ⁽⁴⁾	4/8	0/1
Mr. Lau Che Hang Alex ⁽⁵⁾	2/3	–
Mr. Wu Charles Hsing-yuan ⁽⁵⁾	2/3	–
<i>Independent Non-executive Directors</i>		
Mr. Lung Chee Ming, George	8/8	0/1
Mr. Li Kit Chee	8/8	1/1
Ms. Chow Wai Lee ⁽¹⁾	3/4	–
Ms. Jennifer Kwok ⁽¹⁾	4/4	–
Mr. Fan Chor Ho ⁽⁶⁾	4/4	0/1
Mr. Tse Man Bun ⁽⁶⁾	4/4	1/1

Notes:

1. Appointment effective from 1 July 2020
2. Resignation effective from 1 July 2020 and re-appointment effective from 6 November 2020
3. Appointment effective from 1 April 2020
4. Resignation effective from 6 November 2020
5. Resignation effective from 1 April 2020
6. Resignation effective from 1 July 2020

(E) Directors' Continuous Professional Development

All Board members are encouraged to attend training courses relevant on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates at the Company's expenses.

During the year under review, Board members have participated in continuous professional development to develop and refresh their knowledge and skills as listed company directors, and provided the Company with their records of the training received for the year which comprised attending seminars and talks, and reading legal and regulatory updates and other reference materials. A summary of the records of their training is as follows:

Name of Directors	Reading Regulatory Updates	Attending trainings/ briefings/seminars/ conference relevant to Directors' duties
<i>Executive Directors</i>		
Mr. Fung Chiu Chak, Victor (<i>Vice Chairman</i>)	✓	✓
Mr. Chiu Chin Hung ⁽¹⁾	✓	✓
Mr. Lau Kin Fai ⁽¹⁾	✓	✓
<i>Non-executive Directors</i>		
Mr. Justin Wai (<i>Chairman</i>)	✓	✓
Mr. David Robert McClure ⁽²⁾	✓	✓
Mr. Yuen Pak Man	✓	✓
Ms. Gu Ye ⁽³⁾	✓	✓
Ms. Hou Xiangjia ⁽³⁾	✓	✓
Mr. Wang Tianbing ⁽⁴⁾	✓	✓
Mr. Lau Che Hang Alex ⁽⁵⁾	✓	✓
Mr. Wu Charles Hsing-yuan ⁽⁵⁾	✓	✓
<i>Independent Non-executive Directors</i>		
Mr. Lung Chee Ming, George	✓	✓
Mr. Li Kit Chee	✓	✓
Ms. Chow Wai Lee ⁽¹⁾	✓	✓
Ms. Jennifer Kwok ⁽¹⁾	✓	✓
Mr. Fan Chor Ho ⁽⁶⁾	✓	✓
Mr. Tse Man Bun ⁽⁶⁾	✓	✓

Notes:

1. Appointment effective from 1 July 2020
2. Resignation effective from 1 July 2020 and re-appointment effective from 6 November 2020
3. Appointment effective from 1 April 2020
4. Resignation effective from 6 November 2020
5. Resignation effective from 1 April 2020
6. Resignation effective from 1 July 2020

(F) Appointment, Re-Election and Removal of Directors

The Company has a formal, considered and transparent procedure for the appointment and removal of Directors. The Nomination Committee led by the Chairman and comprising an Executive Director, a Non-executive Director and all of the Independent Non-executive Directors, plays an important role to identify and nominate suitable candidates for the Board's consideration as additional Directors or to fill in casual vacancies on the Board and to make recommendations to the Shareholders for nomination of Directors for re-election at general meetings. According to the Bye-laws, all Directors newly appointed to fill a casual vacancy are subject to re-election at the next following general meeting after their appointment. During the year, the Company has complied with the CG Code save for the following deviations.

Two Non-executive Directors, namely Mr. Justin Wai and Mr. Yuen Pak Man, and two 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. 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.

The names and biographical details of the Directors who will offer themselves for election or re-election at the next annual general meeting will be included in the circular to Shareholders containing the notice of the forthcoming annual general meeting.

(G) Responsibilities of Directors

The Board members acknowledge their responsibility for preparing the consolidated financial statements of the Group for the financial year ended 31 December 2020.

Every Director is required to know his responsibilities as a Director and of the conduct, business activities and development of the Group, and should act in good faith, exercise due diligence and act in the best interests of the Group and its shareholders. On appointment, new Directors will receive a comprehensive, formal induction on the Group's business and his responsibilities as a Director.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("Model Code") as the code of conduct regarding directors' securities transactions. Having made specific enquiry, all the Directors have confirmed that they have fully complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions for the year under review.

The Board reviews regularly the contribution required from a Director to perform his responsibilities to the Company, and whether he/she is spending sufficient time performing them.

(H) Board Committees

The Board has established its Audit Committee, Remuneration Committee and Nomination Committee.

Audit Committee

The Audit Committee was first established in 1999. Its terms of reference were revised with reference to the CG Code which became effective on 7 May 2019 and they were published on the Company's website and the HKEX's website.

The Audit Committee is responsible for reviewing and supervising the financial reporting process, risk management and internal control system of the Group, reviewing the Group's financial information, compliance and providing advice and comments to the Board.

Name of Audit Committee Members

Independent Non-executive Directors

Mr. Li Kit Chee⁽¹⁾ (*Chairman of the Audit Committee*)

Mr. Lung Chee Ming, George

Ms. Chow Wai Lee⁽²⁾

Ms. Jennifer Kwok⁽²⁾

Mr. Fan Chor Ho⁽³⁾

Mr. Tse Man Bun⁽⁴⁾

Notes:

1. Appointed as the Chairman of the Audit Committee with effect from 1 January 2020
2. Appointment effective from 1 July 2020
3. Stepped down as the Chairman of the Audit Committee with effect from 1 January 2020 and resignation effective from 1 July 2020
4. Resignation effective from 1 July 2020

Each member of the Audit Committee possesses in-depth experience in their respective profession. Mr. Li Kit Chee, Ms. Jennifer Kwok, Mr. Fan Chor Ho (the former member of the Audit Committee) and Mr. Tse Man Bun (the former member of the Audit Committee) possess appropriate accounting or relevant financial management expertise and meet the requirements of Rule 3.21 of the Listing Rules. The Company Secretary is the secretary of the Audit Committee. The composition of the Audit Committee complies with the requirements of chairmanship and independence of the Listing Rules.

Corporate Governance Report

(H) Board Committees (Cont'd)

Audit Committee (Cont'd)

During the year, the Audit Committee held three meetings. The attendance of each committee member is as follows:

Name of Audit Committee Members	Attendance
<i>Independent Non-executive Directors</i>	
Mr. Li Kit Chee ⁽¹⁾ (<i>Chairman of the Audit Committee</i>)	3/3
Mr. Lung Chee Ming, George	3/3
Ms. Chow Wai Lee ⁽²⁾	1/2
Ms. Jennifer Kwok ⁽²⁾	2/2
Mr. Fan Chor Ho ⁽³⁾	1/1
Mr. Tse Man Bun ⁽⁴⁾	1/1

Notes:

1. Appointed as the Chairman of the Audit Committee with effect from 1 January 2020
2. Appointment effective from 1 July 2020
3. Stepped down as the Chairman of the Audit Committee with effect from 1 January 2020 and resignation effective from 1 July 2020
4. Resignation effective from 1 July 2020

During the year, the Audit Committee has reviewed, inter alia, the Group's interim results for the six months ended 30 June 2020, final results for the financial year ended 31 December 2020, payment of special dividend, and reviewed and discussed with the external auditor over the financial reporting of the Group. The Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed with the management in relation to auditing, system of internal control, and financial reporting matters. The Audit Committee has reviewed the connected transaction(s)/internal audit related party transaction(s) entered into by the Group during the year, made recommendation to the Board on the reappointment of the external auditor and reviewed and approved the remuneration of the external auditor.

The Audit Committee reviewed the terms of reference of the Audit Committee, the dividend policy, whistleblowing policy and anti-bribery and anti-corruption compliance policy of the Company from time to time.

Remuneration Committee

The Remuneration Committee was established in 2005. Its terms of reference were revised with reference to the CG Code effective on 1 April 2012 and they were published on the Company's website and the HKEX's website.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and members of the Senior Management. It is the Group's policy to provide remuneration packages at fair market value in order to attract and retain high quality staff. No Directors or any of his/her associates, is involved in determining his/her own remuneration.

(H) Board Committees (Cont'd)

Remuneration Committee (Cont'd)

Name of Remuneration Committee Members

Executive Director

Mr. Fung Chiu Chak, Victor

Non-executive Directors

Mr. Justin Wai

Mr. Yuen Pak Man⁽¹⁾

Mr. Wang Tianbing⁽²⁾

Independent Non-executive Directors

Mr. Lung Chee Ming, George⁽³⁾ (*Chairman of the Remuneration Committee*)

Mr. Li Kit Chee

Ms. Chow Wai Lee⁽⁴⁾

Ms. Jennifer Kwok⁽⁴⁾

Mr. Fan Chor Ho⁽⁵⁾

Mr. Tse Man Bun⁽⁶⁾

Notes:

1. Appointment effective from 6 November 2020
2. Resignation effective from 6 November 2020
3. Appointed as the Chairman of the Remuneration Committee with effect from 1 January 2020
4. Appointment effective from 1 July 2020
5. Resignation effective from 1 July 2020
6. Stepped down as the Chairman of the Remuneration Committee with effect from 1 January 2020 and resignation effective from 1 July 2020

The composition of the Remuneration Committee complies with the requirements of chairmanship and independence of the Listing Rules.

Corporate Governance Report

(H) Board Committees (Cont'd)

Remuneration Committee (Cont'd)

During the financial year ended 31 December 2020, the Remuneration Committee held three meetings and the attendance of each committee member is as follows:

Name of Remuneration Committee Members	Attendance
<i>Executive Director</i>	
Mr. Fung Chiu Chak, Victor	3/3
<i>Non-executive Directors</i>	
Mr. Justin Wai	3/3
Mr. Yuen Pak Man ⁽¹⁾	–
Mr. Wang Tianbing ⁽²⁾	2/3
<i>Independent Non-executive Directors</i>	
Mr. Lung Chee Ming, George ⁽³⁾ (Chairman of the Remuneration Committee)	3/3
Mr. Li Kit Chee	3/3
Ms. Chow Wai Lee ⁽⁴⁾	0/1
Ms. Jennifer Kwok ⁽⁴⁾	1/1
Mr. Fan Chor Ho ⁽⁵⁾	2/2
Mr. Tse Man Bun ⁽⁶⁾	2/2

Notes:

1. Appointment effective from 6 November 2020
2. Resignation effective from 6 November 2020
3. Appointed as the Chairman of the Remuneration Committee with effect from 1 January 2020
4. Appointment effective from 1 July 2020
5. Resignation effective from 1 July 2020
6. Stepped down as the Chairman of the Remuneration Committee with effect from 1 January 2020 and resignation effective from 1 July 2020

During the year, the Remuneration Committee has made recommendation to the Board on the remuneration packages and/or discretionary bonuses of the Executive Directors, the Non-executive Directors and Senior Management for the Board's consideration. Such packages include benefits in kind, pension rights (or its equivalent, where appropriate) and compensation payments, including any compensation payable for loss or termination of their office or appointment, as the case may be.

(H) Board Committees (Cont'd)**Remuneration Committee (Cont'd)**

The Remuneration Committee reviewed the terms of reference of the Remuneration Committee from time to time.

Pursuant to code provision B.1.5 of the CG Code, details of the annual remuneration of the members of the Senior Management by band for the financial year ended 31 December 2020 is as follows:

	Number of employees
HK\$2,000,001 to HK\$2,500,000	3
HK\$2,500,001 to HK\$3,000,000	1
HK\$3,000,001 to HK\$3,500,000	—
HK\$3,500,001 to HK\$4,000,000	1
	<hr/>
	5 ⁽¹⁾
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Note:

- Two members of the Senior Management, Mr. Chiu Chin Hung and Mr. Lau Kin Fai, were appointed as Executive Directors with effect from 1 July 2020.

Details of the remuneration of each Director for the financial year ended 31 December 2020 are set out in note 8 to the consolidated financial statements of the Group.

Nomination Committee

The Nomination Committee was established on 28 March 2012. Its terms of reference were adopted with reference to the CG Code effective on 7 May 2019 and they were published on the Company's website and the HKEX's website.

The Nomination Committee is responsible for, among other things, reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Board members as well as succession planning for Directors to the Board.

Corporate Governance Report

(H) Board Committees (Cont'd)

Nomination Committee (Cont'd)

Name of Nomination Committee Members

Executive Director

Mr. Fung Chiu Chak, Victor

Non-executive Directors

Mr. Justin Wai (*Chairman of the Nomination Committee*)

Mr. Yuen Pak Man⁽¹⁾

Mr. Wang Tianbing⁽²⁾

Independent Non-executive Directors

Mr. Lung Chee Ming, George

Mr. Li Kit Chee

Ms. Chow Wai Lee⁽³⁾

Ms. Jennifer Kwok⁽³⁾

Mr. Fan Chor Ho⁽⁴⁾

Mr. Tse Man Bun⁽⁴⁾

Notes:

1. Appointment effective from 6 November 2020
2. Resignation effective from 6 November 2020
3. Appointment effective from 1 July 2020
4. Resignation effective from 1 July 2020

The composition of the Nomination Committee complies with the requirements of chairmanship and independence of the Listing Rules.

(H) Board Committees (Cont'd)**Nomination Committee (Cont'd)**

During the financial year ended 31 December 2020, the Nomination Committee held three meetings and the attendance of each committee member is as follows:

Name of Nomination Committee Members	Attendance
<i>Executive Director</i>	
Mr. Fung Chiu Chak, Victor	3/3
<i>Non-executive Directors</i>	
Mr. Justin Wai (<i>Chairman of the Nomination Committee</i>)	3/3
Mr. Yuen Pak Man ⁽¹⁾	–
Mr. Wang Tianbing ⁽²⁾	2/3
<i>Independent Non-executive Directors</i>	
Mr. Lung Chee Ming, George	3/3
Mr. Li Kit Chee	3/3
Ms. Chow Wai Lee ⁽³⁾	0/1
Ms. Jennifer Kwok ⁽³⁾	1/1
Mr. Fan Chor Ho ⁽⁴⁾	2/2
Mr. Tse Man Bun ⁽⁴⁾	2/2

Notes:

1. Appointment effective from 6 November 2020
2. Resignation effective from 6 November 2020
3. Appointment effective from 1 July 2020
4. Resignation effective from 1 July 2020

During the year, the Nomination Committee has conducted an annual review of the independence of all Independent Non-executive Directors and confirmed that all the Independent Non-executive Directors satisfied the independence criteria as set out in the Listing Rules, reviewed the proposed re-appointment of Directors, and the appointment of Non-executive Directors.

In order to maintain a diversity of perspectives among Board members, the Company adopted a Board diversity policy on 30 June 2014 and published the same on the Company's website. The Board diversity policy stated that the Company considers a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service, in addition to factors based on the Group's business models and specific needs from time to time.

Corporate Governance Report

(H) Board Committees (Cont'd)

Nomination Committee (Cont'd)

The Company also adopted a Director nomination policy on 7 May 2019 and published the same on the Company's website. The Director nomination policy aims to:

- (1) set out the criteria and process for the nomination and appointment of Directors;
- (2) ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business; and
- (3) ensure the Board's continuity and appropriate leadership at the Board level.

The Nomination Committee reviewed the terms of reference of the Nomination Committee, the Board diversity policy and the Director nomination policy of the Company from time to time.

(I) External Auditors

The responsibilities of the external auditor with respect to the consolidated financial statements of the Group are set out in the "Independent Auditor's Report" on pages 40 to 44.

Details of the fees paid/payable to the Company's auditor, Ernst & Young, during the financial year ended 31 December 2020 are as follows:

	<i>HK\$000</i>
Annual auditing services	1,800
Non-auditing services	273
	<hr/>
	2,073
	<hr/>

(J) Company Secretary

The Company Secretary supports the Board by ensuring good information flow within the Board and the Board policy and procedures are followed. The Company Secretary is primarily responsible for advising the Board through the Chairman on governance matters and facilitating induction and professional development of Directors. The Board will approve the selection, appointment and dismissal of the Company Secretary who reports to the Chairman and/or the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures, and all applicable law, rules and regulations are followed. The Company Secretary, Ms. Wong Suk Han Kitty who is an employee of the Group, has duly complied with the relevant training requirement under the Listing Rules for the financial year ended 31 December 2020.

(K) Risk Management and Internal Control

The Board has overall responsibility to ensure that the Group maintains sound and effective controls to safeguard its assets and the Shareholders' investments.

During the year, the Group has complied with the CG Code by establishing appropriate and effective risk management and internal control systems. The management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

1. Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

2. Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- Risk Assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

(K) Risk Management and Internal Control (Cont'd)

3. Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- (a) is aware of its obligations under the Securities and Futures Ordinance, the Listing Rules and the overriding principle that inside information should be announced immediately if it is the subject of a decision;
- (b) conducts its affairs with close regard to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission in June 2012;
- (c) restricts the access of information to a limited number of employees on a need-to-know basis and ensures employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality;
- (d) has included in the “Confidentiality of Information”, a strict prohibition on the unauthorised use of confidential or inside information; and
- (e) has established and implemented procedures for responding to external enquiries about the Group’s affairs.

4. Internal Audit Function

The Board engaged an independent third party consultant, to provide the internal audit function for the financial year ended 31 December 2020, so as to improve the internal control systems of the Company and strengthen the management’s effective control over the operations of the Company. The internal audit function is independent of the Group’s daily operation and such independent third party consultant carries out an appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An internal plan has been approved by the Board. According to the approved plan, review of the risk management and internal control systems is conducted annually and the results have been reported by the Audit Committee to the Board.

5. Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring the effectiveness of these systems will be reviewed annually. Several areas have been considered during the Board’s reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group’s ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management’s ongoing monitoring of risks and of the internal control systems.

The Audit Committee conducted an annual review of the effectiveness of the internal control system of the Group covering the financial, operational and compliance controls and risk management functions. The Board, through its review made by internal audit function and audit committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

(L) Corporate Governance Functions

The Board established the “Corporate Governance Policy” on 28 March 2012. The Board is responsible for performing the corporate governance functions set out in the terms of reference below:

- (1) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
- (2) to review and monitor the training and continuous professional development of Directors and Senior Management;
- (3) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- (4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees of the Group; and
- (5) to review the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report to be issued by the Company.

(M) Communication with Shareholders

The Company maintains a high level of transparency in communicating with Shareholders. In order to maintain an on-going dialogue with Shareholders and institutional investors of the Company, the Company established a Shareholders’ Communication Policy on 28 March 2012 and will review it from time to time to ensure effective and timely dissemination of information to Shareholders and encourage their participation at general meetings of the Company. The Shareholders’ Communication Policy is set out below:

- (1) Shareholders may refer to information disclosed publicly or send their enquiries to the Company’s registered office or its principal place of business for the time being, for the attention of the Company Secretary. For enquiries on their shareholdings, Shareholders should direct their questions about their shareholdings to the Company’s Hong Kong Branch Registrar, Tricor Tengis Limited.
- (2) Shareholders may access the Company’s information from its annual reports, interim reports, announcements, circulars and notices of meetings. These information and documents are available on the Company’s website and published on the HKEX’s website. The annual reports, interim reports, circulars, and notices of general meetings (where appropriate, with proxy form) of the Company are also despatched to Shareholders.
- (3) Shareholders are encouraged to attend the annual general meeting and general meetings of the Company. Shareholders may also express their views, discuss the progress of the Company and understand the operations of the Company through the annual general meeting of the Company.
- (4) The Company will review this Policy regularly to ensure its effectiveness.
- (5) Enquiries and questions on the procedures for convening or putting forward proposals may be put to the Board by contacting either the Company Secretary through the Company’s general line at (852) 2882 3632, e-mail at info@tysan.com, directly by questions at an annual general meeting or special general meeting of the Company or by post to the Company’s registered office or its principal place of business for the time being.

(M) Communication with Shareholders *(Cont'd)*

The Company also established a dividend policy on 7 May 2019 and published the same on the Company's website. The Company will review the policy from time to time to ensure the principles and guidelines that the Company intends to apply in relation to the declaration, payment and distribution of its net profits as dividends to the Shareholders remain appropriate.

The Company has ensured that each substantially separate issue will be dealt with at general meetings by way of a separate resolution. Shareholders are informed of the procedure and their rights to demand a poll. The Company will ensure compliance with the requirements about voting by poll contained in the Listing Rules and the Bye-laws. The procedures for voting by poll are set out in the Company's circular relating to the general meeting and will be explained during the meeting before voting on the resolutions.

(N) Shareholders' Rights

Since the Shareholders may convene a special general meeting and make any proposals such as proposing a person other than an existing Director for election as a Director at such meeting, the detailed procedures of convening a special general meeting and making any proposals are set out in a document entitled "Shareholders' rights to put forward a proposal at a general meeting" which has been published on the Company's website and set out below:

- (1) According to Bye-law 58 of the Bye-laws, a Shareholder holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting ("SGM") to be called by the Board for the transaction or any business specified in such requisition.
- (2) The written request must state the objects of the meeting, signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those requisitionists ("Requisitionists").
- (3) The request by the Requisitionists will be verified with the Company's Share Registrars and upon their confirmation that the request by the Requisitionists is proper and in order, the Company Secretary will request the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements and in compliance with the Listing Rules on the Stock Exchange to all the registered Shareholders. On the contrary, if the request by the Requisitionists has been verified as not in order, the Requisitionists will be advised of this outcome and accordingly, a SGM will not be convened as requested.
- (4) If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the Requisitionists themselves may convene the meeting themselves in accordance with Section 74(3) of the Companies Act 1981 of Bermuda, as amended from time to time.
- (5) If a Shareholder wishes to put forward proposals at an SGM ("Proposals"), he can deposit a written notice to that effect at the principal place of business of the Company or the office of the Company's branch share registrar, for the attention of the Company Secretary. The request by the Requisitionists will be verified as stated above.

(N) Shareholders' Rights *(Cont'd)*

- (6) The notice period to be given to all the registered Shareholders for consideration of a proposal raised by the Shareholders concerned at a SGM varies according to the nature of the proposal as follows:
- (a) the longer of 14 clear days' and 10 business days' notice in writing if the proposal constitutes an ordinary resolution of the Company; and
 - (b) 21 clear days' notice in writing if the proposal constitutes a special resolution of the Company.

Whether a proposal will be put to a general meeting will be decided by the Board in its discretion, unless the proposal put forward by a Shareholder is (i) pursuant to a requisition by a Shareholder to convene a SGM or (ii) forms part of ordinary business to be considered at an annual general meeting as described in Bye-law 61(1) of the Bye-laws.

- (7) Enquiries may be put to the Board by contacting either the Company Secretary through our general line at (852) 2882 3632, e-mail at info@tysan.com, directly by questions at an annual general meeting or SGM or by post to the registered office of the Company or head office and the principal place of business of the Company.

(O) Investor Relations

A copy of the constitutional documents of the Company has been published on the Company's website and the HKEX's website. During the year, there was no change to the Company's constitutional documents.

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>

Report of the Directors

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.

Report of the Directors

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.

Report of the Directors

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

Independent Auditor's Report



To the shareholders of Tysan Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Tysan Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 45 to 133, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Cont'd)

Key audit matter

Revenue recognition contributed from construction works

During the year ended 31 December 2020, the Group has recognised construction revenue from the foundation piling and site investigation works. Such revenue was recognised over time using an input method and it is based on progress towards complete satisfaction of the construction services which involves significant management judgement and estimation. The contract revenue was estimated by management based on contract sum and work values from variation orders, taking into account the financial impact of scope changes, claims, disputes and negotiation with employers. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses.

When determining the total budgeted costs, significant estimation is required and management takes reference to information such as (i) current or recent offers from subcontractors and suppliers, (ii) variation orders received from customers, and (iii) estimation on project material costs, labour costs and other costs for the completion of the projects provided by the quantity survey department.

The accounting policies, accounting judgements and estimates and disclosures for recognition of revenue from the foundation piling and site investigation works are included in notes 2.4, 3 and 5 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures included performing analysis of revenue, gross profit trend, cost of the construction contracts and their fluctuations. We checked contract revenue, on a sample basis, to amounts stated in contracts, variation orders and instructions from architects and final accounts agreed with customers. We compared budgeted costs prepared by the quantity survey department of the Group to accounting records of selected contracts and source documents such as quotations and payment applications from subcontractors, and correspondence with customers, architects and subcontractors. We also checked the budgeted costs by comparing with costs incurred by other similar projects and prior year budgets prepared by management. In addition, we also checked payment records to subcontractors, worker payroll records and other supporting documents such as final accounts with subcontractors, cost allocation schedules prepared by management for the selected construction projects.

Independent Auditor's Report

KEY AUDIT MATTERS (Cont'd)

Key audit matter

Impairment assessment of trade receivables and contract assets

As at 31 December 2020, the Group's trade receivables and contract assets amounted to approximately HK\$189 million and HK\$1,002 million, respectively, which in aggregate represented about 60% of the current assets of the Group.

Significant management judgement is required to assess the recoverability of trade receivables and contract assets. Management performed a detailed analysis taking into account customer's ageing profile, credit history and historical payment pattern and the forward-looking information for the estimation of expected credit losses ("ECLs") on its trade receivables and contract assets.

The accounting policies, accounting judgements and estimates and disclosures for the impairment of trade receivables and contract assets are included in notes 2.4, 3, 16 and 17 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures included obtaining an understanding of and evaluating the Group's process and control over the collection and the assessment of the recoverability of trade receivables and contract assets. We obtained and evaluated the management's assessment on the ECLs of trade receivables and contract assets with reference to the historical payment records, public available information and credit history of the Group's customers and the correspondence with customers. We tested the ageing of trade receivables and contract assets at the end of the reporting period on a sampling basis. We also tested the subsequent settlements and the latest amounts of revenue certified by customers on a sampling basis.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chung Yuk Man.

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

22 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	5	3,054,113	2,721,278
Cost of sales		(3,116,818)	(2,706,625)
Gross profit/(loss)		(62,705)	14,653
Other income and gains	5	58,779	244,258
Gain/(loss) on disposal of subsidiaries, net	36	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	6	(4,632)	(41,992)
LOSS BEFORE TAX	7	(106,339)	(724,083)
Income tax credit/(expense)	10	1,457	(42,570)
LOSS FOR THE YEAR		(104,882)	(766,653)
Attributable to:			
Ordinary equity holders of the Company		(104,882)	(766,655)
Non-controlling interests		–	2
		(104,882)	(766,653)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		(HK3.12 cents)	(HK22.78 cents)
Diluted		(HK3.12 cents)	(HK22.78 cents)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LOSS FOR THE YEAR	(104,882)	(766,653)
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	–	38,405
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	23,992	31,288
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR	(80,890)	(735,365)
Attributable to:		
Ordinary equity holders of the Company	(80,890)	(735,367)
Non-controlling interests	–	2
	(80,890)	(735,365)

Consolidated Statement of Financial Position

31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	13	188,240	177,297
Right-of-use assets	14(a)	106,704	118,132
Prepayments, deposits and other receivables	18	150	2,008
Deferred tax assets	26	1,760	–
Total non-current assets		296,854	297,437
CURRENT ASSETS			
Inventories	15	43,592	22,563
Trade receivables	16	188,977	226,660
Contract assets	17	1,002,172	1,113,421
Prepayments, deposits and other receivables	18	29,063	38,475
Financial assets at fair value through profit or loss	19	–	–
Tax prepaid		40	–
Cash and cash equivalents	20	706,570	2,891,781
		1,970,414	4,292,900
Assets of a disposal group classified as held for sale	36(a)	–	309,320
Total current assets		1,970,414	4,602,220
CURRENT LIABILITIES			
Trade and retention payables, accruals and provision	21	664,560	611,816
Dividend payable	11(a)	–	1,683,018
Other payables, deposits received and receipts in advance	22	2,452	1,360
Contract liabilities	17	72,372	46,833
Interest-bearing bank borrowings	23	4,762	54,135
Guaranteed notes	24	–	40,390
Lease liabilities	14(b), 25	10,942	10,121
Tax payable		13,712	50,595
Total current liabilities		768,800	2,498,268
NET CURRENT ASSETS		1,201,614	2,103,952
TOTAL ASSETS LESS CURRENT LIABILITIES		1,498,468	2,401,389

Consolidated Statement of Financial Position

31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	23	57,654	62,577
Lease liabilities	14(b), 25	274	8,737
Deferred tax liabilities	26	7,413	8,209
Total non-current liabilities		<u>65,341</u>	<u>79,523</u>
Net assets		<u>1,433,127</u>	<u>2,321,866</u>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	27	336,603	336,603
Reserves	29	1,096,524	1,985,263
Total equity		<u>1,433,127</u>	<u>2,321,866</u>

JUSTIN WAI
Director

FUNG CHIU CHAK VICTOR
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

Attributable to ordinary equity holders of the Company

	Notes	Share	Share	Exchange	Statutory	Exchange	Retained	Total	Non-	Total	
		Issued	premium	Contributed							option
		capital	account	surplus	reserve	reserve	reserves	HK\$'000	HK\$'000	interests	HK\$'000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019		336,483	10,004,289	563,861	149,275	2,188	(63,394)	1,169,963	12,162,665	(2)	12,162,663
Profit/(loss) for the year		-	-	-	-	-	-	(766,655)	(766,655)	2	(766,653)
Other comprehensive income/(expenses) for the year:											
Exchange difference on translation of foreign operations		-	-	-	-	-	(7,117)	-	(7,117)	-	(7,117)
Release of exchange difference upon disposal of a subsidiary		-	-	-	-	-	38,405	-	38,405	-	38,405
Total comprehensive income/(expenses) for the year		-	-	-	-	-	31,288	(766,655)	(735,367)	2	(735,365)
Issue of shares	27	120	2,481	-	(501)	-	-	-	2,100	-	2,100
Transfer to contributed surplus	27	-	(10,004,289)	10,004,289	-	-	-	-	-	-	-
Equity-settled share option arrangements	28	-	-	-	14,425	-	-	-	14,425	-	14,425
Transfer of share option reserve upon cancellation of share options		-	-	-	(163,199)	-	-	163,199	-	-	-
2019 special dividend declared	11(a)	-	-	(1,683,018)	-	-	-	-	(1,683,018)	-	(1,683,018)
2019 special dividend declared and paid	11	-	-	(6,732,072)	-	-	-	-	(6,732,072)	-	(6,732,072)
2019 interim dividend declared and paid	11	-	-	(706,867)	-	-	-	-	(706,867)	-	(706,867)
At 31 December 2019		336,603	2,481*	1,446,193*	-*	2,188*	(32,106)*	566,507*	2,321,866	-	2,321,866

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

		Attributable to ordinary equity holders of the Company									
	Note	Issued capital	Share premium account	Contributed surplus	Share option reserve	Statutory reserves	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020		336,603	2,481	1,446,193	-	2,188	(32,106)	566,507	2,321,866	-	2,321,866
Loss for the year		-	-	-	-	-	-	(104,882)	(104,882)	-	(104,882)
Other comprehensive income for the year:											
Exchange difference on translation of foreign operations		-	-	-	-	-	23,992	-	23,992	-	23,992
Total comprehensive income/ (expenses) for the year		-	-	-	-	-	23,992	(104,882)	(80,890)	-	(80,890)
2020 special dividend declared and paid	11	-	-	(807,849)	-	-	-	-	(807,849)	-	(807,849)
At 31 December 2020		<u>336,603</u>	<u>2,481*</u>	<u>638,344*</u>	<u>-*</u>	<u>2,188*</u>	<u>(8,114)*</u>	<u>461,625*</u>	<u>1,433,127</u>	<u>-</u>	<u>1,433,127</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,096,524,000 (2019: HK\$1,985,263,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(106,339)	(724,083)
Adjustments for:			
Finance costs	6	4,632	41,992
Finance costs included in cost of sales	6	143	47
Loss/(gain) on disposal of subsidiaries, net		(33,930)	567,469
Interest income	5	(10,677)	(84,470)
Loss on disposal and write-off of items of property, plant and equipment	7	7,710	4,640
Equity-settled share option expense	7	–	14,425
Depreciation of property, plant and equipment	7	51,264	51,833
Depreciation of right-of-use assets	7	15,259	15,556
Gain on lease modification	5	(25)	–
Fair value gain on financial assets at fair value through profit or loss, net	7	–	(96,871)
Changes in fair value of an investment property	7	–	105,000
Write-down of inventories to net realisable value	7	–	1,351
Write-off of inventories	7	272	101
Impairment of right-of-use assets	7	–	17,757
Impairment of trade receivables	7	353	985
Impairment of other receivables	7	–	1,174
		(71,338)	(83,094)
Decrease in properties under development and properties held for sale, net		–	19,766
Decrease/(increase) in inventories		(21,301)	8,297
Decrease/(increase) in trade receivables		37,330	(61,079)
Decrease/(increase) in contract assets		111,249	(171,007)
Decrease in prepayments, deposits and other receivables		6,684	19,669
Increase/(decrease) in trade and retention payables, accruals and provision		54,141	(121,550)
Increase in other payables, deposits received and receipts in advance		1,092	281
Increase in contract liabilities		25,539	7,571
Cash generated from/(used in) operations		143,396	(381,146)
Taxes paid in the People's Republic of China (the "PRC"):			
Hong Kong		(34,760)	(8)
Elsewhere		(3,271)	(24,944)
Taxes refunded in the PRC:			
Hong Kong		–	30,778
Elsewhere		–	1,121
Effect of foreign exchange rate changes, net		199	(1,294)
Net cash flows from/(used in) operating activities		105,564	(375,493)

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		14,892	109,875
Overseas taxes paid on investing activities		–	(56,820)
Purchases of items of property, plant and equipment		(74,670)	(83,997)
Deposits paid for acquisition of items of property, plant and equipment	18	–	(371)
Proceeds from disposal of items of property, plant and equipment		5,124	1,574
Acquisition of subsidiaries	35	–	(697,669)
Proceeds from disposal of subsidiaries	36	343,200	6,585,762
Proceeds from disposal of subsidiaries in prior years		–	596,415
Redemption of convertible bonds	19(b)	–	883,467
Refund of capital contribution to a financial asset at fair value through profit or loss		–	367,700
Distribution from financial assets at fair value through profit or loss	19(a)	–	196,396
Decrease in restricted cash		–	154,501
Decrease in structured deposits		–	580,686
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		–	2,000,000
Net cash flows from investing activities		288,546	10,637,519
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(5,069)	(65,582)
Interest element of lease payments		(793)	(1,761)
New bank borrowings		–	50,000
Repayment of bank borrowings		(54,296)	(232,952)
Repayment of other borrowing		–	(300,000)
Redemption of guaranteed notes	24	(40,700)	(264,300)
Principal portion of lease payments		(11,448)	(29,279)
Dividends paid		(2,490,867)	(7,438,939)
Net cash flows used in financing activities		(2,603,173)	(8,282,813)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(2,209,063)	1,979,213
Cash and cash equivalents at beginning of year		2,891,831	915,409
Effect of foreign exchange rate changes, net		23,802	(2,791)
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		706,570	2,891,831

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	333,931	617,323
Non-pledged time deposits	20	372,639	2,274,458
Cash and cash equivalents as stated in the consolidated statement of financial position		706,570	2,891,781
Add: Cash and cash equivalents attributable to the disposal groups	36(a)	–	50
Cash and cash equivalents as stated in the consolidated statement of cash flows		706,570	2,891,831

Notes to Financial Statements

31 December 2020

1. CORPORATE AND GROUP INFORMATION

Tysan Holdings Limited is a limited liability company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.

During the year, the Group was involved in the following principal activities:

- foundation piling and site investigation
- property development and investment
- investment

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

The immediate holding company of the Company is Times Holdings II Limited (“Times Holdings II”), which is incorporated in the Cayman Islands and ultimately controlled by The Blackstone Group Inc., a company listed on The New York Stock Exchange and considered as the ultimate holding company of the Company.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued share/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2020	2019	
Tysan Foundation (Hong Kong) Limited	Hong Kong	Ordinary HK\$100	100	100	Investment holding
Tysan Construction (Macau) Limited (note 1)	Macau	Ordinary MOP25,000	100	100	Foundation piling
Tysan Foundation Limited (notes 1 and 2)	Hong Kong	Ordinary HK\$141,000,000 Deferred HK\$3,000,000	100	100	Foundation piling and site investigation
Tysan Foundation Geotechnical Limited (notes 1 and 4)	Hong Kong	Ordinary HK\$110,110,000	100	100	Foundation piling and site investigation
Tysan Machinery Hire Limited (notes 1 and 2)	Hong Kong	Ordinary HK\$10,000 Deferred HK\$200,000	100	100	Machinery hiring
Proficiency Equipment Limited (note 1)	Hong Kong	Ordinary HK\$24,480,000	100	100	Machinery hiring and trading
Proficiency Engineering Limited (note 1)	Hong Kong	Ordinary HK\$2	100	100	Provision of engineering services and machinery hiring
Lion Bright Limited (note 1)	Hong Kong	Ordinary HK\$2	100	100	Machinery hiring and trading

1. CORPORATE AND GROUP INFORMATION (Cont'd)

Information about subsidiaries (Cont'd)

Particulars of the Company's principal subsidiaries are as follows: (Cont'd)

Name	Place of incorporation/ registration and business	Issued share/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2020	2019	
Mac Proficiency Limited (note 1)	Macau	Ordinary MOP25,000	100	100	Provision of engineering services and machinery hiring
Tysan Management Limited (note 2)	Hong Kong	Ordinary HK\$16,720,850 Deferred HK\$2	100	100	Corporate management
Tysan Investment Limited	Hong Kong	Ordinary HK\$2	100	100	Investment holding
Tysan Property Development & Investment Limited	Hong Kong	Ordinary HK\$2	100	100	Investment holding
Top Class Properties Limited (note 1)	Hong Kong	Ordinary HK\$2	100	100	Property holding
Sure Faith Investment Limited (note 1)	Hong Kong	Ordinary HK\$2	100	100	Property holding
Duncan Properties Limited (note 1)	Hong Kong	Ordinary HK\$2	100	100	Investment holding
Federated Resources Limited (note 1)	British Virgin Islands	Ordinary US\$100	100	100	Investment holding
Carriway Limited (note 1)	Hong Kong	Ordinary HK\$2	100	100	Investment holding
Shanghai Changning Duncan Property Consulting Company Limited (notes 1 and 3)	PRC/Mainland China	RMB200,000	100	100	Property consulting

Notes:

1. Held through subsidiaries.
2. The deferred shares carry no rights to dividends (other than a fixed non-cumulative dividend at the rate of 5% per annum for any financial year during which the net profit of the relevant company available for dividends exceeds HK\$1 billion), no rights to vote at general meetings, no rights to receive any surplus on a return of capital on a winding-up (other than the amount paid up on such shares, provided that the holders of the ordinary shares of that company have been distributed in such a winding-up of a sum of HK\$1,000 billion in respect of each ordinary share).
3. This entity is registered as a wholly-foreign-owned enterprise under the PRC law.
4. During the year, this entity's issued share capital was increased from HK\$60,110,000 to HK\$110,110,000.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributable to the ordinary equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{3,6}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{3,5}</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had an interest-bearing bank borrowing denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 31 December 2020. If the interest rate of this borrowing is replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of this borrowing when the “economically equivalent” criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes. The amendments are not expected to have any significant impact on the Group’s financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The management is in the process of making an assessment of the impact of the amendments on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fair value measurement

The Group measures its investment properties, financial assets at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, properties under development, properties held for sale, inventories, contract assets, deferred tax assets, financial assets and disposal groups classified as held for sale), the asset's recoverable amount is calculated as the higher of the asset's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of non-financial assets *(Cont'd)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	5%
Equipment and machinery	10% – 33 $\frac{1}{3}$ %
Furniture and fixtures	20%
Motor vehicles	20%
Leasehold improvements	10% – 33 $\frac{1}{3}$ %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Properties under development

Properties under development which are developed in the ordinary course of business are included in current assets at the lower of cost and net realisable value.

The cost of properties under development comprises land cost, construction costs, professional fees, borrowing costs capitalised according to the Group's policy and other directly attributable expenses incurred during the development period. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

On completion of construction, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost includes the cost of land, interest capitalised during the period of development and other direct costs attributable to the development of the properties. Net realisable value is determined by reference to the prevailing market prices on an individual property basis, less all costs to completion, if applicable, and costs of marketing and selling.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

Group as a lessee (Cont'd)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	35 to 40 years
Buildings	2 to 3 years
Machinery	14 to 16 months

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office properties, warehouses and machinery (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and other financial assets *(Cont'd)*

Initial recognition and measurement *(Cont'd)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of financial assets (Cont'd)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and retention payables, other payables, interest-bearing bank borrowings and guaranteed notes.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities (Cont'd)

Subsequent measurement (Cont'd)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside statement of profit or loss is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Revenue from contracts with customers (Cont'd)

(a) *Machinery trading*

Revenue from machinery trading is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the machineries.

(b) *Sales of properties held for sale*

Revenue from sales of properties held for sale is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

(c) *Construction services*

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(d) *Machinery engineering services*

Revenue from the provision of machinery engineering services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(e) *Provision of fund management services*

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Employee benefits (Cont'd)

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operated a defined contribution provident fund (the “Fund”) for certain of its employees in Hong Kong, the assets of which were held separately from those of the Group and were managed by an independent professional fund manager. Contributions under the Fund were made based on a percentage of the eligible employees’ basic salaries and were charged to the statement of profit or loss as they became payable in accordance with the rules of the scheme. The ongoing contributions to the Fund were terminated on 1 April 1999.

Following the introduction of the Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”), the Group has restructured its retirement scheme arrangements to comply with the Mandatory Provident Fund Schemes Ordinance. The Group has secured a Mandatory Provident Fund exemption status for the Fund and, in addition, has participated in an approved defined contribution MPF Scheme with effect from 1 December 2001, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries located in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their covered payroll to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

Judgement (Cont'd)

Current and deferred tax

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made. Further details are disclosed in notes 10 and 26 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns and actual default cases.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 16 and 17 to the financial statements, respectively.

Percentage of completion of construction works

The Group recognises revenue according to the percentage of completion of the individual contract of construction works. The Group's management estimates the percentage of completion of construction works based on actual costs incurred over the total budgeted costs. Corresponding contract revenue was also estimated by management based on contract sum and work values from variation works. Because of the nature of the activities undertaken for the construction contracts, the date at which the contracts are entered into and the date when the contracts are completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses.

When determining the total budgeted costs, management makes reference to information such as (i) current or recent offers from subcontractors and suppliers, (ii) variation orders received from customers, and (iii) estimation on material costs, labour costs and other costs for the completion of the projects provided by quantity survey department.

4. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with internal reporting to the Company's key management personnel as follows:

- (a) the foundation piling segment (including site investigation operation);
- (b) the property development and investment segment;
- (c) the investment segment; and
- (d) the "corporate and others" segment comprises, principally, the Group's corporate operation, and machinery leasing and trading businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax.

The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income and non-lease related finance costs are excluded from such measurement.

Segment assets exclude deferred tax assets, tax prepaid and time deposits as these assets are managed on a group basis.

Segment liabilities exclude dividend payable, interest-bearing bank borrowings, guaranteed notes, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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4. OPERATING SEGMENT INFORMATION (Cont'd)

For the years ended 31 December 2020 and 2019

	Foundation piling		Property development and investment		Investment		Corporate and others		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment revenue: (note 5)										
Sales to external customers	3,017,754	2,532,107	-	76,162	-	75,082	36,359	37,927	3,054,113	2,721,278
Intersegment sales	-	103,208	-	-	-	-	-	-	-	103,208
Other income and gains, net	43,217	2,322	1,454	6,662	-	149,612	3,431	1,192	48,102	159,788
Total	3,060,971	2,637,637	1,454	82,824	-	224,694	39,790	39,119	3,102,215	2,984,274
<i>Reconciliation:</i>										
Elimination of intersegment sales									-	(103,208)
Revenue									3,102,215	2,881,066
Segment results	(31,622)	(56,924)	(1,901)	(694,596)	(383)	217,900	(79,128)	(234,655)	(113,034)	(768,275)
Interest income									10,677	84,470
Finance costs (other than interest on lease liabilities)									(3,982)	(40,278)
Loss before tax									(106,339)	(724,083)
Income tax credit/(expense)									1,457	(42,570)
Loss for the year									(104,882)	(766,653)
Assets and liabilities										
Segment assets	1,622,436	1,622,498	3,262	409,842	-	29,082	267,131	563,777	1,892,829	2,625,199
Unallocated									374,439	2,274,458
									2,267,268	4,899,657
Segment liabilities	708,741	616,051	735	3,277	-	250	41,124	59,289	750,600	678,867
Unallocated									83,541	1,898,924
									834,141	2,577,791

4. OPERATING SEGMENT INFORMATION (Cont'd)

For the years ended 31 December 2020 and 2019

	Foundation piling		Property development and investment		Investment		Corporate and others		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:										
Depreciation of property, plant and equipment	41,035	39,564	-	42	-	-	10,229	12,227	51,264	51,833
Depreciation of right-of-use assets	6,694	5,872	10	10	-	-	8,555	9,674	15,259	15,556
Impairment of right-of-use assets	-	-	-	-	-	-	-	17,757	-	17,757
Impairment of trade receivables	-	-	-	-	-	-	353	985	353	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	-	-	-	-	-	-	272	101	272	101
Loss/(gain) on disposal and write-off of items of property, plant and equipment, net	8,760	4,502	-	-	-	-	(1,050)	138	7,710	4,640
Loss/(gain) on disposal of subsidiaries, net	-	-	-	567,469	-	-	(33,930)	-	(33,930)	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, net	-	-	-	-	-	(149,612)	-	52,741	-	(96,871)
Capital expenditure	73,502	83,198	-	-	-	-	1,539	1,134	75,041	84,332

Geographical information

(a) Revenue from external customers

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	3,054,113	2,649,404	-	71,874	3,054,113	2,721,278

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

(b) Non-current assets

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	295,094	297,437	-	-	295,094	297,437

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

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4. OPERATING SEGMENT INFORMATION (Cont'd)

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

¹ Revenue was derived from foundation piling segment.

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

5. 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>	3,039,187	2,703,374
<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>3,054,113</u>	<u>2,721,278</u>

5. REVENUE AND OTHER INCOME AND GAINS (Cont'd)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	Foundation piling HK\$'000	Property development and investment HK\$'000	Investment HK\$'000	Corporate and others HK\$'000	Total HK\$'000
Types of goods or services					
Machinery trading	–	–	–	36	36
Construction services	3,017,754	–	–	–	3,017,754
Machinery engineering services	–	–	–	21,397	21,397
Total revenue from contracts with customers	<u>3,017,754</u>	<u>–</u>	<u>–</u>	<u>21,433</u>	<u>3,039,187</u>
Geographical markets					
Hong Kong	<u>3,017,754</u>	<u>–</u>	<u>–</u>	<u>21,433</u>	<u>3,039,187</u>
Timing of revenue recognition					
Good transferred at a point of time	–	–	–	36	36
Services transferred over time	<u>3,017,754</u>	<u>–</u>	<u>–</u>	<u>21,397</u>	<u>3,039,151</u>
Total revenue from contracts with customers	<u>3,017,754</u>	<u>–</u>	<u>–</u>	<u>21,433</u>	<u>3,039,187</u>

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5. REVENUE AND OTHER INCOME AND GAINS (Cont'd)

Revenue from contracts with customers (Cont'd)

(i) Disaggregated revenue information (Cont'd)

For the year ended 31 December 2019

Segments	Foundation piling HK\$'000	Property development and investment HK\$'000	Investment HK\$'000	Corporate and others HK\$'000	Total HK\$'000
Types of goods or services					
Machinery trading	–	–	–	1,435	1,435
Sale of properties held for sale	–	68,312	–	–	68,312
Construction services	2,532,107	–	–	–	2,532,107
Machinery engineering services	–	–	–	26,438	26,438
Management services	–	–	75,082	–	75,082
Total revenue from contracts with customers	<u>2,532,107</u>	<u>68,312</u>	<u>75,082</u>	<u>27,873</u>	<u>2,703,374</u>
Geographical markets					
Hong Kong	2,532,107	–	75,082	27,873	2,635,062
Mainland China	–	68,312	–	–	68,312
Total revenue from contracts with customers	<u>2,532,107</u>	<u>68,312</u>	<u>75,082</u>	<u>27,873</u>	<u>2,703,374</u>
Timing of revenue recognition					
Good transferred at a point of time	–	68,312	–	1,435	69,747
Services transferred over time	2,532,107	–	75,082	26,438	2,633,627
Total revenue from contracts with customers	<u>2,532,107</u>	<u>68,312</u>	<u>75,082</u>	<u>27,873</u>	<u>2,703,374</u>

5. REVENUE AND OTHER INCOME AND GAINS (Cont'd)

Revenue from contracts with customers (Cont'd)

(i) Disaggregated revenue information (Cont'd)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2020

Segments	Foundation piling HK\$'000	Property development and investment HK\$'000	Investment HK\$'000	Corporate and others HK\$'000	Total HK\$'000
Revenue from contracts with customers					
Total revenue from contracts with customers	<u>3,017,754</u>	<u>–</u>	<u>–</u>	<u>21,433</u>	<u>3,039,187</u>

For the year ended 31 December 2019

Segments	Foundation piling HK\$'000	Property development and investment HK\$'000	Investment HK\$'000	Corporate and others HK\$'000	Total HK\$'000
Revenue from contracts with customers					
External customers	2,532,107	68,312	75,082	27,873	2,703,374
Intersegment sales	<u>103,208</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>103,208</u>
	2,635,315	68,312	75,082	27,873	2,806,582
Intersegment adjustments and eliminations	<u>(103,208)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(103,208)</u>
Total revenue from contracts with customers	<u>2,532,107</u>	<u>68,312</u>	<u>75,082</u>	<u>27,873</u>	<u>2,703,374</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 HK\$'000	2019 HK\$'000
Construction services	<u>13,979</u>	<u>23,199</u>

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5. REVENUE AND OTHER INCOME AND GAINS (Cont'd)

Revenue from contracts with customers (Cont'd)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Machinery trading

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 days from delivery.

Sale of properties held for sale

The performance obligation is satisfied when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property and payment is due upon delivery of the property to the customer.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Machinery engineering services

The performance obligation is satisfied over time as the customer simultaneously receives and consumes the support services as the Group continues to provide support services to the customer.

Management services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one year or less, and are billed based on the time incurred.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020 HK\$'000	2019 HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	1,775,454	2,490,902
After one year	879,421	550,651
	<u>2,654,875</u>	<u>3,041,553</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services and machinery engineering services, of which the performance obligations are mainly to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

Notes to Financial Statements

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5. REVENUE AND OTHER INCOME AND GAINS (Cont'd)

Other income and gains

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income	10,677	84,470
Insurance claims	543	1,274
Subsidy income*	43,638	–
Gain on lease modification	25	–
Fair value gain on financial assets at fair value through profit or loss	–	149,612
Others	3,896	8,902
	<u>58,779</u>	<u>244,258</u>

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

6. 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>4,632</u>	<u>41,992</u>

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7. LOSS BEFORE TAX

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

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of properties and inventories sold		54	61,079
Cost of services rendered		3,116,764	2,645,546
Depreciation of property, plant and equipment	13	51,264	51,833
Depreciation of right-of-use assets	14(a)	15,259	15,556
Lease payments not included in the measurement of lease liabilities	14(c)	20,423	15,655
Auditor's remuneration		1,800	2,823
Employee benefit expense (including directors' remuneration – note 8):			
Wages and salaries		400,498	489,742
Equity-settled share option expense		–	14,425
Pension scheme contributions		12,282	14,560
		412,780	518,727
Foreign exchange losses, net*		25,564	2,648
Impairment of financial and contract assets, net:			
Impairment of trade receivables*	16	353	985
Impairment of other receivables*	18	–	1,174
Impairment of right-of-use assets*	14(c)	–	17,757
Loss on disposal and write-off of items of property, plant and equipment*		7,710	4,640
Fair value gain on financial assets at fair value through profit or loss*	19(a), 19(b)	–	(149,612)
Fair value loss on a financial asset at fair value through profit or loss*	36(a)(i)	–	52,741
Changes in fair value of an investment property	35	–	105,000
Write-down of inventories to net realisable value*		–	1,351
Write-off of inventories*		272	101
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		–	<u>1,723</u>

* These amounts are included in “Other expenses, net” or “Other income and gains” in the consolidated statement of profit or loss.

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8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Non-executive directors	–	244
Independent non-executive directors	1,440	1,543
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	32,374	60,603
Pension scheme contributions	23	36
	<u>33,837</u>	<u>62,426</u>

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8. DIRECTORS' REMUNERATION (Cont'd)

The remuneration paid or payable to each of the directors is as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
2020				
Executive directors:				
Mr. Fung Chiu Chak, Victor ("Mr. Fung")	–	22,258	5	22,263
Mr. Chiu Chin Hung ¹	–	5,202	–	5,202
Mr. Lau Kin Fai ¹	–	4,914	18	4,932
	–	32,374	23	32,397
Non-executive directors:				
Mr. Justin Wai ²	–	–	–	–
Mr. Wang Tianbing ³	–	–	–	–
Mr. David Robert McClure ⁴	–	–	–	–
Mr. Lau Che Hang Alex ⁵	–	–	–	–
Mr. Wu Charles Hsing-yuan ⁵	–	–	–	–
Mr. Yuen Pak Man ²	–	–	–	–
Ms. Gu Ye ⁶	–	–	–	–
Ms. Hou Xiangjia ⁶	–	–	–	–
	–	–	–	–
Independent non-executive directors:				
Mr. Lung Chee Ming, George	360	–	–	360
Mr. Li Kit Chee	360	–	–	360
Ms. Chow Wai Lee ⁷	180	–	–	180
Ms. Jennifer Kwok ⁷	180	–	–	180
Mr. Fan Chor Ho ⁸	180	–	–	180
Mr. Tse Man Bun ⁸	180	–	–	180
	1,440	–	–	1,440
Total	1,440	32,374	23	33,837

8. DIRECTORS' REMUNERATION (Cont'd)

The remuneration paid or payable to each of the directors is as follows: (Cont'd)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
2019				
Executive directors:				
Mr. Fung	–	25,787	18	25,805
Mr. Sun Kin Ho Steven ⁹	–	33,233	18	33,251
Mr. Chen Chao ¹⁰	–	–	–	–
Mr. He Jiafu ¹⁰	–	–	–	–
Mr. Liu Junchun ¹⁰	–	1,583	–	1,583
Mr. Huang Qijun ¹⁰	–	–	–	–
Mr. Guo Ke ¹⁰	–	–	–	–
Mr. Zhang Peihua ¹⁰	–	–	–	–
	–	60,603	36	60,639
Non-executive directors:				
Mr. Justin Wai ²	–	–	–	–
Mr. Wang Tianbing ³	–	–	–	–
Mr. David Robert McClure ⁴	–	–	–	–
Mr. Lau Che Hang Alex ⁵	–	–	–	–
Mr. Wu Charles Hsing-yuan ⁵	–	–	–	–
Mr. Yuen Pak Man ²	–	–	–	–
Mr. Tang King Shing ¹¹	122	–	–	122
Mr. Yang Han Hsiang ¹¹	122	–	–	122
	244	–	–	244
Independent non-executive directors:				
Mr. Lung Chee Ming, George	360	–	–	360
Mr. Li Kit Chee	360	–	–	360
Mr. Fan Chor Ho ⁸	360	–	–	360
Mr. Tse Man Bun ⁸	360	–	–	360
Mr. Chong Kin Ho ¹²	103	–	–	103
	1,543	–	–	1,543
Total	1,787	60,603	36	62,426

8. DIRECTORS' REMUNERATION (Cont'd)

Notes:

- ¹ Mr. Chiu Chin Hung and Mr. Lau Kin Fai were appointed as executive directors with effect from 1 July 2020 but their full year's remuneration packages have been included as directors' remuneration for the year ended 31 December 2020.
- ² Mr. Justin Wai and Mr. Yuen Pak Man were appointed as non-executive directors with effect from 11 April 2019.
- ³ Mr. Wang Tianbing was appointed as a non-executive director with effect from 11 April 2019 and resigned with effect from 6 November 2020.
- ⁴ Mr. David Robert McClure was appointed as a non-executive director with effect from 11 April 2019, resigned with effect from 1 July 2020 and reappointed with effect from 6 November 2020.
- ⁵ Mr. Lau Che Hang Alex and Mr. Wu Charles Hsing-yuan were appointed as non-executive directors with effect from 11 April 2019 and resigned with effect from 1 April 2020.
- ⁶ Ms. Gu Ye and Ms. Hou Xiangjia were appointed as non-executive directors with effect from 1 April 2020.
- ⁷ Ms. Chow Wai Lee and Ms. Jennifer Kwok were appointed as independent non-executive directors with effect from 1 July 2020.
- ⁸ Mr. Fan Chor Ho and Mr. Tse Man Bun resigned as independent non-executive directors with effect from 1 July 2020.
- ⁹ Mr. Sun Kin Ho Steven resigned as an executive director with effect from 1 January 2020.
- ¹⁰ Mr. Chen Chao, Mr. He Jiafu, Mr. Liu Junchun, Mr. Huang Qijun, Mr. Guo Ke and Mr. Zhang Peihua resigned as executive directors with effect from 3 May 2019.
- ¹¹ Mr. Tang King Shing and Mr. Yang Han Hsiang resigned as non-executive directors with effect from 3 May 2019.
- ¹² Mr. Chong Kin Ho was appointed as an independent non-executive director with effect from 21 January 2019 and resigned with effect from 3 May 2019.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2019: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2019: three) non-director highest paid employees are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	6,322	14,233
Equity-settled share option expense	–	4,287
Pension scheme contributions	36	36
	<u>6,358</u>	<u>18,556</u>

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Numbers of employees	
	2020	2019
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$6,500,001 to HK\$7,000,000	–	2
	<u>2</u>	<u>3</u>

During the year ended 31 December 2018, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group. Further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2019 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

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10. 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 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 (note 26)	118	1,746
Total tax charge/(credit) for the year	<u>(1,457)</u>	<u>42,570</u>

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the countries or regions in which the Company and the majority of its subsidiaries are domiciled to the tax charge/(credit) at the effective tax rate is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before tax	<u>(106,339)</u>	<u>(724,083)</u>
Tax at the statutory rates	(18,013)	(128,670)
Provision for land appreciation tax	–	4,106
Tax effect of land appreciation tax	–	(665)
Adjustments in respect of current tax of prior years	(1,972)	2,042
Income not subject to tax	(14,585)	(28,430)
Expenses not deductible for tax	20,608	185,556
Effect of withholding tax on the distributable profits of the Group's subsidiary in Mainland China	91	2,798
Tax losses utilised from prior years	(884)	(5,390)
Tax losses not recognised	13,298	11,223
Tax charge/(credit) at the Group's effective rate	<u>(1,457)</u>	<u>42,570</u>

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11. DIVIDENDS

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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
		807,849	9,121,957

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 of directors (the “Board”) on 12 December 2019 and was paid on 23 January 2020. The special dividend had 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).

12. 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.

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13. PROPERTY, PLANT AND EQUIPMENT

	Building HK\$'000	Equipment and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
2020						
Cost:						
At 1 January 2020	81,309	967,191	5,913	9,831	13,131	1,077,375
Additions	-	73,225	171	1,645	-	75,041
Disposals/write-off	-	(84,893)	(106)	(697)	(1,197)	(86,893)
At 31 December 2020	<u>81,309</u>	<u>955,523</u>	<u>5,978</u>	<u>10,779</u>	<u>11,934</u>	<u>1,065,523</u>
Accumulated depreciation and impairment:						
At 1 January 2020	34,894	838,927	4,674	8,461	13,122	900,078
Depreciation provided during the year	4,065	45,712	526	952	9	51,264
Disposals/write-off	-	(72,115)	(51)	(696)	(1,197)	(74,059)
At 31 December 2020	<u>38,959</u>	<u>812,524</u>	<u>5,149</u>	<u>8,717</u>	<u>11,934</u>	<u>877,283</u>
Net carrying amount:						
At 31 December 2020	<u>42,350</u>	<u>142,999</u>	<u>829</u>	<u>2,062</u>	<u>-</u>	<u>188,240</u>
At 31 December 2019	<u>46,415</u>	<u>128,264</u>	<u>1,239</u>	<u>1,370</u>	<u>9</u>	<u>177,297</u>

13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Building HK\$'000	Equipment and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Motor yacht HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
2019							
Cost:							
At 1 January 2019	81,309	923,978	5,816	14,143	6,012	18,772	1,050,030
Additions	-	83,809	223	300	-	-	84,332
Acquisition of subsidiaries	-	-	691	-	-	524	1,215
Disposals/write-off	-	(40,596)	(385)	(4,612)	(6,012)	(5,641)	(57,246)
Disposal of subsidiaries	-	-	(432)	-	-	(524)	(956)
At 31 December 2019	<u>81,309</u>	<u>967,191</u>	<u>5,913</u>	<u>9,831</u>	<u>-</u>	<u>13,131</u>	<u>1,077,375</u>
Accumulated depreciation and impairment:							
At 1 January 2019	30,829	830,473	4,233	11,568	6,012	15,953	899,068
Acquisition of subsidiaries	-	-	623	-	-	418	1,041
Depreciation provided during the year	4,065	44,386	523	1,425	-	1,434	51,833
Disposals/write-off	-	(35,932)	(312)	(4,532)	(6,012)	(4,244)	(51,032)
Disposal of subsidiaries	-	-	(393)	-	-	(439)	(832)
At 31 December 2019	<u>34,894</u>	<u>838,927</u>	<u>4,674</u>	<u>8,461</u>	<u>-</u>	<u>13,122</u>	<u>900,078</u>
Net carrying amount:							
At 31 December 2019	<u>46,415</u>	<u>128,264</u>	<u>1,239</u>	<u>1,370</u>	<u>-</u>	<u>9</u>	<u>177,297</u>
At 1 January 2019	<u>50,480</u>	<u>93,505</u>	<u>1,583</u>	<u>2,575</u>	<u>-</u>	<u>2,819</u>	<u>150,962</u>

The Group's building was pledged to a bank as security for banking facility granted to the Group (note 23).

Certain of the Group's equipment and machinery are leased to third parties under operating leases, further summary details of which are included in note 14 to the financial statements.

Notes to Financial Statements

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14. LEASES

The Group as a lessee

The Group has leasehold land and lease contracts for various office properties, warehouses and machinery used in its operation. Lump sum payments were made upfront to acquire the leased land from the owner with lease periods of 35 to 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of office properties and warehouses generally have lease terms between 1 to 3 years while leases of machinery generally have lease terms between 1 to 16 months.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and movements during the year are as follows:

	Leasehold land <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2019	103,308	43,668	–	146,976
Additions	–	10,250	–	10,250
Depreciation charge	(3,723)	(11,833)	–	(15,556)
Impairment	–	(17,757)	–	(17,757)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(5,781)	–	(5,781)
As at 31 December 2019 and 1 January 2020	99,585	18,547	–	118,132
Additions	–	616	4,638	5,254
Depreciation charge	(3,722)	(9,885)	(1,652)	(15,259)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(1,423)	–	(1,423)
At 31 December 2020	95,863	7,855	2,986	106,704

Certain of the Group's leasehold land is pledged to a bank as security for banking facility granted to the Group (note 23).

Certain of the Group's leased warehouses and machineries are subleased to third parties and a related company under operating leases, further summary details of which are disclosed below under the heading "The Group as a lessor".

14. LEASES (Cont'd)

The Group as a lessee (Cont'd)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Carrying amount at 1 January	18,858	43,668
New leases	5,254	10,250
Accretion of interest recognised during the year	793	1,761
Payments	(12,241)	(31,040)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(1,448)	(5,781)
Carrying amount at 31 December	<u>11,216</u>	<u>18,858</u>
Analysed into:		
Current portion	10,942	10,121
Non-current portion	<u>274</u>	<u>8,737</u>

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	793	1,761
Depreciation charge of right-of-use assets	15,259	15,556
Impairment of right-of-use assets	–	17,757
Gain on lease modification	(25)	–
Expenses relating to short-term leases and/or other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	20,423	6,363
Expenses relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	–	9,292
Total amount recognised in profit or loss	<u>36,450</u>	<u>50,729</u>

(d) The total cash outflows for leases are disclosed in note 30(c) to the financial statements.

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14. LEASES (Cont'd)

The Group as a lessor

The Group leases certain of its equipment and machinery (note 13) and subleases certain of its leased warehouses and leased machineries (note 14(a)) (2019: equipment and machinery, investment property and leased warehouses and machineries) under operating lease arrangements. The terms of the leases generally also require the tenants and customers to pay security deposits. Rental income recognised by the Group during the year was HK\$14,926,000 (2019: HK\$17,904,000), details of which are included in note 5 to the financial statements.

As at 31 December 2020, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	13,704	7,420
After one year but within two years	2,296	1,736
	<u>16,000</u>	<u>9,156</u>

15. INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Raw materials	31,662	7,702
Spare parts and others	11,930	14,861
	<u>43,592</u>	<u>22,563</u>

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16. TRADE RECEIVABLES

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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	190,319	227,649
Impairment	(1,342)	(989)
	188,977	226,660

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, who is an executive director of the Company.

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:

	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	–
	188,977	226,660

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16. TRADE RECEIVABLES (Cont'd)

The movements in the loss allowance for individual impairment of trade receivables are as follows:

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	989	29
Impairment loss recognised (note 7)	353	985
Impairment loss written off	—	(25)
At end of year	<u>1,342</u>	<u>989</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on remaining trade receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by service type, customer type and financial position of the customer). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Past due					Total
	Current	Less than 90 days	91 to 180 days	181 to 365 days	Over 365 days	
Expected credit losses rate	0.04%	1.14%	0.73%	51.40%	100%	0.71%
Gross carrying amount (HK\$'000)	154,393	27,431	7,344	494	657	190,319
Expected credit losses (HK\$'000)	65	313	53	254	657	1,342

As at 31 December 2019

	Past due					Total
	Current	Less than 90 days	91 to 180 days	181 to 365 days	Over 365 days	
Expected credit losses rate	0.01%	0.39%	17.80%	55.10%	100%	0.43%
Gross carrying amount (HK\$'000)	204,730	21,278	349	1,058	234	227,649
Expected credit losses (HK\$'000)	28	82	62	583	234	989

17. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 December 2020	31 December 2019	1 January 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets arising from:			
Construction services	1,002,844	1,113,816	943,137
Others	1,376	1,653	1,325
	1,004,220	1,115,469	944,462
Impairment	(2,048)	(2,048)	(2,048)
	1,002,172	1,113,421	942,414

Contract assets are initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2020 was the result of the subsequent certification of construction services and subsequent settlement of retention receivables during the year while the increase in contract assets in 2019 was the result of the increase in the ongoing provision of construction services at the end of that year. The Group's trading terms and credit policy with customers are disclosed in note 16 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	711,470	960,167
After one year	290,702	153,254
Total contract assets	1,002,172	1,113,421

The movements in the loss allowance for impairment of contract assets are as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning and end of the year	2,048	2,048

Included in the above impairment allowance for contract assets is an allowance for an individually impaired contract asset of HK\$2,048,000 (2019: HK\$2,048,000) which was considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full. Except for the specific impairment allowance mentioned above, an impairment analysis is performed at each reporting date on the remaining contract assets using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases, the expected credit losses of contract assets were minimal as at 31 December 2020 and 2019.

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17. CONTRACT ASSETS AND CONTRACT LIABILITIES (*Cont'd*)(a) Contract assets (*Cont'd*)

Included in contract assets is an amount due from a related company, TBC, of HK\$610,000 (2019: HK\$959,000), which represents a retention receivable and is recoverable on credit terms similar to those offered to the major customers of the Group.

(b) Contract liabilities

	31 December 2020 HK\$'000	31 December 2019 HK\$'000	1 January 2019 HK\$'000
Contract liabilities arising from:			
Construction services	<u>72,372</u>	<u>46,833</u>	<u>46,414</u>

Contract liabilities include short-term advances received to deliver construction services. The increase in contract liabilities in 2020 and 2019 was the result of increase in billings for construction services at the end of each of the years.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Deposits for acquisition of items of property, plant and equipment		–	371
Due from TBC	(a)	–	10
Prepayments and deposits		15,733	19,859
Other receivables		14,947	21,710
Less: Impairment allowance		<u>(1,467)</u>	<u>(1,467)</u>
		29,213	40,483
Less: Prepayments, deposits and other receivables classified as non-current assets		<u>(150)</u>	<u>(2,008)</u>
		<u>29,063</u>	<u>38,475</u>

Note:

- (a) As at 31 December 2019, an amount due from TBC, a related company of the Company, was unsecured, interest-free and repayable on demand.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Cont'd)

The movements in the loss allowance for impairment of other receivables are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At beginning of year	1,467	293
Impairment losses recognised (note 7)	–	1,174
At end of year	1,467	1,467

In the opinion of the directors, the impairment of HK\$1,467,000 (2019: HK\$1,467,000) was specific in nature which was considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full. Expected credit losses on the remaining other receivables balances are estimated by applying a loss rate approach with reference to historical loss record of the Group. Based on historical loss records and economic conditions, the directors are of the opinion that the expected credit losses of the remaining other receivables are minimal.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

- (a) HKICIM Fund II, L.P. (“Fund II”), in which the Group’s interests was 12.07% (represented capital contribution of HK\$728,000,000), and HKICIM Fund III, L.P. (“Fund III”), in which the Group’s interests was 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 then wholly-owned subsidiary of HNA Holding Group Co., Ltd., which in turn is the holding company of HNA Finance I Co., Ltd., the former 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 returned the initial committed capital of HK\$1,361,160,000 in total to the Group. During the year ended 31 December 2019, distributions from the Funds of HK\$196,396,000 were received and aggregate fair value gains of HK\$99,877,000 were resulted and included in “other income and gains” in the consolidated statement of profit or loss. The fair values of the Funds as at 31 December 2019 were nil which were estimated with reference to the fair values of the underlying assets held by the Funds. On 3 November 2020, the Group exited its involvement in the Funds by withdrawing as limited partners and resigning and withdrawing as general partners of each of the Funds.

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Cont'd)

- (b) 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 ended 31 December 2019, the Group 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 ended 31 December 2019.

20. CASH AND CASH EQUIVALENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Time deposits	372,639	2,274,458
Cash and bank balances	<u>333,931</u>	<u>617,323</u>
Cash and cash equivalents	<u>706,570</u>	<u>2,891,781</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Denominated in:		
Renminbi (“RMB”)	23,804	391,910
HK\$	682,595	2,499,704
Other currencies	<u>171</u>	<u>167</u>
	<u>706,570</u>	<u>2,891,781</u>

RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between 7 days to 3 months (2019: 21 days to 3 months) depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

21. 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:

	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.

As at 31 December 2020, retention payables amounting to HK\$87,138,000 (2019: HK\$43,669,000) were expected to be payable within twelve months after the end of the reporting period.

Provision represented provision for foreseeable losses on construction contracts. During the year ended 31 December 2020, provision of HK\$27,519,000 (2019: HK\$10,152,000) was made and balance of HK\$28,377,000 (2019: HK\$7,829,000) was utilised. In addition, a provision of HK\$812,000 (2019: HK\$6,732,000) was reversed during the year ended 31 December 2020.

22. OTHER PAYABLES, DEPOSITS RECEIVED AND RECEIPTS IN ADVANCE

Other payables are non-interest-bearing and have an average term of one month.

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23. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Unsecured:						
Bank loan			—	4.0	2020	50,000
Secured:						
Instalment loan	1.7	2021–2031	62,416	2.5	2020–2031	66,712
Total bank borrowings			62,416			116,712

	2020 HK\$'000	2019 HK\$'000
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	4,762	54,135
In the second year	4,842	4,244
In the third to fifth years, inclusive	15,013	13,384
Beyond five years	37,799	44,949
	62,416	116,712
Portion due within one year, classified as current liabilities	(4,762)	(54,135)
Long term portion	57,654	62,577

As at 31 December 2020, the Group's secured bank borrowing was secured by mortgages over certain leasehold land of HK\$95,600,000 (2019: HK\$99,312,000) (note 14(a)) and building of HK\$42,350,000 (2019: HK\$46,415,000) (note 13) of the Group.

In addition, the Company has executed guarantees in respect of borrowing facilities granted to certain of its subsidiaries (note 32).

All of the bank borrowings of the Group bear interest at floating interest rates. The carrying amounts of the bank borrowings approximate to their fair values.

The Group's bank borrowings are denominated in Hong Kong dollars.

Notes to Financial Statements

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24. GUARANTEED NOTES

During the year ended 31 December 2017, Silverbell Asia Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes with an aggregate principal amount of HK\$305,000,000 (the “Guaranteed Notes”) under a US\$1,000,000,000 medium term note programme established by Silverbell Asia Limited on 7 April 2017.

The Guaranteed Notes bore interest at a fixed rate of 7% per annum payable semi-annually in arrears and matured on 26 July 2020. The Guaranteed Notes were guaranteed by the Company.

During the year ended 31 December 2019, guaranteed notes with nominal amount of HK\$264,300,000 were early redeemed at the request of the noteholders. The remaining guaranteed notes with nominal amount of HK\$40,700,000 were redeemed upon maturity on 26 July 2020.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At beginning of year	40,390	298,857
Redemption	(40,700)	(264,300)
Amortisation of issue expenses	310	5,833
Carrying amount at end of year	<u>—</u>	<u>40,390</u>

The effective interest rate of the Guaranteed Notes was 8.37% per annum.

25. LEASE LIABILITIES

	2020			2019		
	Effective interest rate (%)	Maturity	<i>HK\$'000</i>	Effective interest rate (%)	Maturity	<i>HK\$'000</i>
Current:						
Lease liabilities (note 14(b))	5.375	2021	<u>10,942</u>	5.375	2020	<u>10,121</u>
Non-current:						
Lease liabilities (note 14(b))	5.375	2022	<u>274</u>	5.375	2021–2022	<u>8,737</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Analysed into:		
Lease liabilities repayable:		
Within one year	10,942	10,121
In the second year	274	8,618
In the third to fifth years, inclusive	—	119
	<u>11,216</u>	<u>18,858</u>

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26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Allowance in excess of related depreciation <i>HK\$'000</i>	Withholding taxes <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	(6,331)	(10,897)	(17,228)
Acquisition of subsidiaries (note 35)	(1,885)	–	(1,885)
Deferred tax credited/(charged) to the statement of profit or loss during the year	754	(2,798)	(2,044)
Withholding tax paid on repatriation of earnings from a subsidiary in Mainland China	–	10,861	10,861
Disposal of subsidiaries (note 36)	2,007	–	2,007
Exchange realignment	–	80	80
At 31 December 2019 and 1 January 2020	(5,455)	(2,754)	(8,209)
Deferred tax charged to the statement of profit or loss during the year	(1,787)	(91)	(1,878)
Withholding tax paid on repatriation of earnings from a subsidiary in Mainland China	–	2,681	2,681
Exchange realignment	–	(7)	(7)
At 31 December 2020	(7,242)	(171)	(7,413)

Deferred tax assets

	Depreciation in excess of related allowance <i>HK\$'000</i>
At 1 January 2019	367
Deferred tax charged to the statement of profit or loss during the year	(367)
At 31 December 2019 and 1 January 2020	–
Deferred tax credited to the statement of profit or loss during the year	1,760
At 31 December 2020	1,760

The Group has tax losses arising in Hong Kong of HK\$326,899,000 (2019: HK\$286,100,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

26. DEFERRED TAX (Cont'd)

Pursuant to the Corporate Income Tax ("CIT") Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. SHARE CAPITAL

Shares

	2020 HK\$'000	2019 HK\$'000
Authorised:		
6,000,000,000 ordinary shares of HK\$0.10 each	<u>600,000</u>	<u>600,000</u>
Issued and fully paid:		
3,366,035,709 ordinary shares of HK\$0.10 each	<u>336,603</u>	<u>336,603</u>

A summary of movements in the Company's share capital is as follows:

	<i>Notes</i>	Number of shares in issue	Share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2019		3,364,835,709	336,483	10,004,289	10,340,772
Share options exercised	(a)	1,200,000	120	2,481	2,601
Transfer to contributed surplus	(b)	–	–	(10,004,289)	(10,004,289)
At 31 December 2019, 1 January 2020 and 31 December 2020		<u>3,366,035,709</u>	<u>336,603</u>	<u>2,481</u>	<u>339,084</u>

Notes:

- (a) During the year ended 31 December 2018, the subscription rights attaching to 1,200,000 share options were exercised at the subscription price of HK\$1.75 per share at a total consideration of HK\$2,100,000. The shares related to those share options were issued during the year ended 31 December 2019 and resulted in an increase in share capital of HK\$1,200,000 and share premium account of HK\$1,980,000 (before issue expenses). An amount of HK\$501,000 was transferred from share option reserve to share premium account upon issue of the relevant shares.
- (b) Pursuant to a special resolution passed at the annual general meeting of the Company held on 12 June 2019, an amount of approximately HK\$10,004,289,000 standing to the credit of share premium account of the Company as at 31 December 2018 was reduced and the corresponding balance arising therefrom was credited to the contributed surplus account of the Company.

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27. SHARE CAPITAL (Cont'd)

Share options

Details of the Company's share option scheme are included in note 28 to the financial statements.

28. SHARE OPTION SCHEME

On 8 August 2012, the Company adopted a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Old Scheme was terminated and replaced by a new share option scheme (the "New Scheme") with effect from the conclusion of the special general meeting held on 3 December 2020.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme must not in aggregate exceed 10% of the shares of the Company in issue at any time. No share option has been granted under the New Scheme during the year.

A summary of the New Scheme of the Company is as follows:

Purpose	To reward participants who have contributed or may contribute to the Group and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and the shareholders as a whole.
Participants	A person who is entitled to participate in the New Scheme, being any full-time or part-time employees, executives, officers or directors (including executive, non-executive and independent non-executive directors) of the Group or any of the interested entities and any advisors, consultants, distributors, contractors, suppliers, agents, providers, customers, business ally or joint venture partners, promoters, service providers of any member of the Group who, in the sole and absolute opinion of the Board, will contribute to or benefit or have contributed to or benefited the business, development and growth (and/or any other aspect whatsoever) of the Group and/or any of the interested entities.
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	336,603,570 ordinary shares and 10% of the issued share capital, on the basis of 3,366,035,709 shares in issue as at the date of the Company's special general meeting on 3 December 2020.
Maximum entitlement of each participant	Shall not exceed 1% of the issued share capital of the Company in any 12-month period.
Period within which the securities must be taken up under an option	To be determined by the Board on a case-by-case basis at its absolute discretion and notified to the grantee thereof, provided that the expiry date of the said period shall not be later than ten (10) years from the date of grant of the option concerned.

28. SHARE OPTION SCHEME (Cont'd)

A summary of the New Scheme of the Company is as follows: (Cont'd)

Minimum period for which an option must be held before it can be exercised To be determined at the discretion of the Board.

Amount payable on acceptance HK\$10

Basis for determining the exercise price In respect of any particular option:

the price per share payable to the Company on the exercise of the option as may be decided upon and prescribed by the Board on a case-by-case basis, bearing in mind the purpose of the New Scheme, in its absolute discretion upon the grant of the option, provided that such exercise price shall not be less than the highest of the following:

- (a) the nominal value of a share;
- (b) the closing price of a share as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant of the option, which must be a business day; and
- (c) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant of the option, or

where applicable, the exercise price for the option concerned (referred to (a) to (c) above) as may be adjusted by the Board from time to time pursuant to the rules of the New Scheme concerning adjustments of, inter alia, the exercise price upon the occurrence of any relevant event as defined in the New Scheme.

The remaining life of the scheme The New Scheme remains in force for a period of ten (10) years commencing from 3 December 2020 and expiring at the close of business hours of the Company on 2 December 2030.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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28. SHARE OPTION SCHEME (Cont'd)

(a) Old Scheme

A summary of movements of the Old Scheme is as follows:

	2020		2019	
	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>
At beginning of year	–	–	1.79	316,130
Lapsed during the year	–	–	1.75	(4,720)
Cancelled during the year	–	–	1.79	(311,410)
At end of year	–	–	–	–

The fair value of the share options granted during the year ended 31 December 2018 was HK\$201,500,000 (HK\$0.45 to HK\$0.59 each), of which the Group recognised a share option expense of HK\$14,425,000 during the year ended 31 December 2019.

During the year ended 31 December 2019, a total of 4,720,000 share options lapsed upon resignation of the relevant directors and employees, and a total of 1,800,000 share options were cancelled according to the terms of the Old Scheme. In addition, a total of 309,610,000 share options were cancelled following the close of the mandatory unconditional general offer in cash by Times Holdings II for all the issued shares and to make comparable offers to the option holders for all outstanding share options.

At the end of the reporting period and as at the date of approval of these financial statements, the Company had no share options outstanding under the Old Scheme.

(b) New Scheme

During the year ended 31 December 2020 and up to the date of approval of these financial statements, no share options were granted, exercised, expired or lapsed and there is no outstanding share option under the New Scheme.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiary registered in the PRC has been transferred to statutory reserves which are restricted as to use.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$5,254,000 (2019: HK\$10,250,000) and HK\$5,254,000 (2019: HK\$10,250,000), respectively, in respect of lease arrangements for buildings and machinery.

(b) Changes in liabilities arising from financing activities

2020

	Trade and retention payables, accruals and provision <i>HK\$'000</i>	Dividend payable <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>	Interest-bearing bank borrowings <i>HK\$'000</i>	Guaranteed notes <i>HK\$'000</i>
At 1 January 2020	611,816	1,683,018	18,858	116,712	40,390
Changes from financing activities	(5,069)	(2,490,867)	(12,241)	(54,296)	(40,700)
New leases	-	-	5,254	-	-
Reassessment and revision of lease term	-	-	(1,448)	-	-
Interest expenses	3,672	-	793	-	310
Dividend declared	-	807,849	-	-	-
Changes classified as operating cash flows	54,141	-	-	-	-
At 31 December 2020	<u>664,560</u>	<u>-</u>	<u>11,216</u>	<u>62,416</u>	<u>-</u>

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30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

(b) Changes in liabilities arising from financing activities (Cont'd)

2019

	Trade and retention payables, accruals and provision <i>HK\$'000</i>	Dividend payable <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>	Interest-bearing bank borrowings <i>HK\$'000</i>	Interest-bearing other borrowing <i>HK\$'000</i>	Guaranteed notes <i>HK\$'000</i>	Trade and retention payables and accruals included in disposal groups <i>HK\$'000</i>
At 1 January 2019	734,742	–	43,668	3,234,292	300,000	298,857	118,246
Changes from financing activities	(54,714)	(7,438,939)	(31,040)	(182,952)	(300,000)	(266,943)	(8,225)
New leases	–	–	10,250	–	–	–	–
Reassessment and revision of lease term	–	–	(5,781)	–	–	–	–
Interest expenses	16,393	–	1,761	1,435	–	8,476	13,974
Interest capitalised	17,254	–	–	–	–	–	–
Dividends declared	–	9,121,957	–	–	–	–	–
Changes classified as operating cash flows	(70,765)	–	–	–	–	–	(50,785)
Acquisition of subsidiaries	636	–	–	–	–	–	–
Disposal of subsidiaries	(31,730)	–	–	(2,936,063)	–	–	(73,030)
Exchange realignment	–	–	–	–	–	–	(180)
At 31 December 2019	<u>611,816</u>	<u>1,683,018</u>	<u>18,858</u>	<u>116,712</u>	<u>–</u>	<u>40,390</u>	<u>–</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within operating activities	20,423	15,655
Within financing activities	12,241	31,040
	<u>32,664</u>	<u>46,695</u>

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)**(d) Total taxes paid**

The total taxes paid during the year were:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Operating activities:		
Hong Kong profits tax (paid)/refunded	(34,760)	30,770
Overseas taxes paid	(3,271)	(23,823)
	<u>(38,031)</u>	<u>6,947</u>
Investing activities:		
Overseas taxes paid	–	(56,820)
	<u>(38,031)</u>	<u>(49,873)</u>

31. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	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>

32. 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>

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33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loan are included in note 23 to the financial statements.

34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Outstanding balances with related parties

Details of the Group's balances with its related company as at the end of the reporting period are included in notes 16, 17 and 18(a), respectively, to the financial statements.

Particulars of an amount due from a related company, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, are as follows:

Name	31 December 2020 HK\$'000	Maximum amount outstanding during the year HK\$'000	31 December 2019 HK\$'000
TBC	<u>610</u>	<u>1,288</u>	<u>1,249</u>

(b) Compensation of key management personnel of the Group

	2020 HK\$'000	2019 HK\$'000
Short term employee benefits	42,493	83,261
Equity-settled share option expense	–	6,202
Post-employment benefits	<u>76</u>	<u>108</u>
Total compensation paid to key management personnel	<u>42,569</u>	<u>89,571</u>

Further details of directors' remuneration are included in note 8 to the financial statements.

34. RELATED PARTY TRANSACTIONS *(Cont'd)*

(c) Other transactions with a related company of the Group

- (i) During the year ended 31 December 2020, the Group recorded licence income of HK\$77,000 (2019: HK\$115,000) from TBC for the sub-lease of a closed storage place. This transaction was entered into by the Group and its related company in accordance with the terms of the respective agreement.
- (ii) During the year ended 31 December 2020, the Group recorded revenue of HK\$1,427,000 (2019: HK\$723,000) in respect of rental and engineering works relating to tower cranes subcontracted by TBC to the Group.

These related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

35. BUSINESS COMBINATION

For the year ended 31 December 2019

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 owed by Superior Choice and its subsidiary to Jinshang International at a cash consideration of HK\$700,000,000 (subject to adjustment) (the “Superior Choice Acquisition”). The principal assets of Superior Choice comprised 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.

Notes to Financial Statements

31 December 2020

35. BUSINESS COMBINATION (Cont'd)

For the year ended 31 December 2019 (Cont'd)

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

	<i>Note</i>	Fair value recognised on acquisition <i>HK\$'000</i>
Property, plant and equipment		174
Investment property	(i)	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		(338,687)
		<hr/>
Total identifiable net assets at fair value		357,297
Loans from the shareholder assigned to the Group		338,687
Goodwill on acquisition		2,034
		<hr/>
		698,018
		<hr/>
Satisfied by:		
Cash consideration		698,018
		<hr/>

Note:

- (i) The investment property represented a commercial property in Hong Kong. The fair value of the investment property on acquisition date was commercially agreed between the seller and the Group at HK\$700,000,000 pursuant to the sale and purchase agreement of the acquisition of the entity holding the investment property on an arm's length basis. Superior Choice Group was subsequently disposed of by the Group on 19 August 2019, details of which are disclosed in note 36(c) to the financial statements. The fair value of the investment property held by the subsidiary being disposed of on 19 August 2019 was estimated by management with reference to the cash consideration of HK\$595,000,000 of the disposal. A change of fair value of the investment property of HK\$105,000,000, representing the difference between the fair value of the investment property as at acquisition date and the disposal date, was recognised in profit or loss for the year ended 31 December 2019.

35. BUSINESS COMBINATION (Cont'd)

For the year ended 31 December 2019 (Cont'd)

An analysis of the net outflow of cash and cash equivalents in respect of the Superior Choice Acquisition during the year ended 31 December 2019 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>

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 incurred a net loss of HK\$102,736,000 (excluded the loss on 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.

36. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2020

(a) 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.

	<i>Note</i>	<i>HK\$'000</i>
Net liabilities disposed of:		
Financial asset at fair value through profit or loss	(i)	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><u>343,200</u></u>
Satisfied by:		
Cash consideration		<u><u>343,200</u></u>

Notes to Financial Statements

31 December 2020

36. DISPOSAL OF SUBSIDIARIES (*Cont'd*)For the year ended 31 December 2020 (*Cont'd*)**(a) Disposal of Uni-Genius Investments Limited** (*Cont'd*)

Note:

- (i) During the year ended 31 December 2018, Uni-Genius 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 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” in the consolidated statement of profit or loss during the year ended 31 December 2019. Upon signing of the sale and purchase agreement to dispose of Uni-Genius, this investment has been classified and included in assets of a disposal group classified as held for sale as at 31 December 2019.

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

Cash consideration and net inflow of cash and cash equivalents
in respect of the Uni-Genius Disposal

*HK\$'000*343,200

36. DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2019

(b) Disposal of Twinpeak Assets Limited

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 owed 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.

	<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 ended 31 December 2019 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.

Notes to Financial Statements

31 December 2020

36. DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2019 (Cont'd)

(c) Disposal of Superior Choice

On 19 August 2019, Fundamental Assets IV disposed of its entire equity interest in Superior Choice and assigned all loans owed 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 comprised 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 ended 31 December 2019 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>

36. DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2019 (Cont'd)

(d) Disposal of Tysan Land (Shenyang) Limited

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., a company established in the PRC with limited liability whose shares are listed on the Shanghai Stock Exchange and a subsidiary of HNA Group Co., Ltd., for disposal of the Shenyang Seller’s entire equity interest in Tysan Land (Shenyang) Limited (“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	125,559
	<u>892,302</u>
Satisfied by:	
Cash consideration	<u>892,302</u>

An analysis of the net inflow of cash and cash equivalents in respect of the Shenyang Disposal during the year ended 31 December 2019 was as follows:

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

Notes to Financial Statements

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37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2020 Financial assets at amortised costs HK\$'000	2019 Financial assets at amortised costs HK\$'000
Trade receivables	188,977	226,660
Other receivables	13,480	20,253
Cash and cash equivalents	706,570	2,891,781
	909,027	3,138,694

Financial liabilities

	2020 Financial liabilities at amortised costs HK\$'000	2019 Financial liabilities at amortised costs HK\$'000
Trade and retention payables	394,001	354,476
Dividend payable	–	1,683,018
Other payables	2,111	599
Interest-bearing bank borrowings	62,416	116,712
Guaranteed notes	–	40,390
Lease liabilities	11,216	18,858
	469,744	2,214,053

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and cash equivalents, other receivables, trade receivables, trade and retention payables, other payables, dividend payable, interest-bearing bank borrowings, guaranteed notes and lease liabilities. Details of these financial instruments are disclosed in the respective notes to these financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Credit risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Contract assets*	–	–	–	1,004,220	1,004,220
Trade receivables*	–	–	–	190,319	190,319
Financial assets included in prepayments, deposits and other receivables					
– Normal**	13,480	–	–	–	13,480
– Doubtful**	–	–	1,467	–	1,467
Cash and cash equivalents					
– Not yet past due	706,570	–	–	–	706,570
	720,050	–	1,467	1,194,539	1,916,056

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

Credit risk (Cont'd)

Maximum exposure and year-end staging (Cont'd)

As at 31 December 2019

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified	
	HK\$'000	HK\$'000	HK\$'000	approach	HK\$'000
				HK\$'000	
Contract assets*	–	–	–	1,115,469	1,115,469
Trade receivables*	–	–	–	227,649	227,649
Financial assets included in prepayments, deposits and other receivables					
– Normal**	20,253	–	–	–	20,253
– Doubtful**	–	–	1,467	–	1,467
Cash and cash equivalents					
– Not yet past due	2,891,781	–	–	–	2,891,781
	<u>2,912,034</u>	<u>–</u>	<u>1,467</u>	<u>1,343,118</u>	<u>4,256,619</u>

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix are disclosed in notes 16 and 17 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as “doubtful”.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its interest-bearing bank borrowings. Borrowings at variable rates expose the Group to interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors the Group's interest rate exposure and considers entering into interest rate swaps to reduce its exposure to interest rate fluctuations should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity (before any impact on tax).

	Increase in interest rate	Increase in loss before tax HK\$'000	Decrease in equity* HK\$'000
2020			
Bank borrowings	100 basis points	624	–
2019			
Bank borrowings	100 basis points	1,167	–

* Excluding retained profits

Foreign exchange risk

The Group operates mainly in Hong Kong and Mainland China with most of its transactions settled in Hong Kong dollars and Renminbi. Certain of the Group's monetary assets and liabilities are denominated in US\$. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi and US\$ against HK\$. The Group considered the impact on equity from the change in US\$ exchange rate was minimal at the end of the reporting period since HK\$ is pegged to US\$. During the years ended 31 December 2019 and 2020, all of the Group's borrowings are denominated in Hong Kong dollars.

Management monitors the Group's currency exposure on an ongoing basis and considers entering into forward currency contracts when the need arises.

The Group did not expose to any significant foreign currency risk as at 31 December 2020 and 2019.

Notes to Financial Statements

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020				Total HK\$'000
	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade and retention payables	–	394,001	–	–	394,001
Other payables	–	2,111	–	–	2,111
Interest-bearing bank borrowings	–	5,760	23,040	39,939	68,739
Lease liabilities	–	11,188	277	–	11,465
Guarantees in respect of performance bonds in relation to subsidiaries	449,634	–	–	–	449,634
	<u>449,634</u>	<u>413,060</u>	<u>23,317</u>	<u>39,939</u>	<u>925,950</u>
	2019				
	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Trade and retention payables	–	354,476	–	–	354,476
Dividend payable	–	1,683,018	–	–	1,683,018
Other payables	–	599	–	–	599
Interest-bearing bank borrowings	–	55,938	23,040	49,705	128,683
Guaranteed notes	–	43,565	–	–	43,565
Lease liabilities	–	10,838	8,918	–	19,756
Guarantees in respect of performance bonds in relation to subsidiaries	403,267	–	–	–	403,267
	<u>403,267</u>	<u>2,148,434</u>	<u>31,958</u>	<u>49,705</u>	<u>2,633,364</u>

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. The Group's policy is to maintain the gearing ratio not exceeding 50%. Net debt includes trade and retention payables, dividend payable, other payables, interest-bearing bank borrowings, guaranteed notes and lease liabilities, less cash and cash equivalents. Capital includes total equity of the Group. The gearing ratios as at the end of the reporting periods were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and retention payables	394,001	354,476
Dividend payable	–	1,683,018
Other payables	2,111	599
Interest-bearing bank borrowings	62,416	116,712
Guaranteed notes	–	40,390
Lease liabilities (note 25)	11,216	18,858
Less: Cash and cash equivalents	<u>(706,570)</u>	<u>(2,891,781)</u>
Net cash	<u>(236,826)</u>	<u>(677,728)</u>
Total equity	<u>1,433,127</u>	<u>2,321,866</u>
Gearing ratio	<u>N/A</u>	<u>N/A</u>

Notes to Financial Statements

31 December 2020

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Interests in subsidiaries	<u>1,332,788</u>	<u>1,669,686</u>
CURRENT ASSETS		
Amounts due from subsidiaries	175,612	176,384
Prepayments and other receivables	708	4,674
Cash and cash equivalents	<u>437,272</u>	<u>2,222,064</u>
Total current assets	<u>613,592</u>	<u>2,403,122</u>
CURRENT LIABILITIES		
Amounts due to subsidiaries	81,802	670,542
Trade payables and accruals	666	33,827
Dividend payable	–	1,683,018
Other payables	<u>1,605</u>	<u>413</u>
Total current liabilities	<u>84,073</u>	<u>2,387,800</u>
NET CURRENT ASSETS	<u>529,519</u>	<u>15,322</u>
Net assets	<u>1,862,307</u>	<u>1,685,008</u>
EQUITY		
Issued capital	336,603	336,603
Reserves (note)	<u>1,525,704</u>	<u>1,348,405</u>
Total equity	<u>1,862,307</u>	<u>1,685,008</u>

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Note:

A summary of the Company's reserves is as follows:

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Retained profit/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	10,004,289	593,811	149,275	(155,138)	10,592,237
Loss for the year	–	–	–	(138,280)	(138,280)
Total comprehensive expenses for the year	–	–	–	(138,280)	(138,280)
Equity-settled share option arrangements	–	–	14,425	–	14,425
Transfer of share option reserve upon the cancellation of share options	–	–	(163,199)	163,199	–
Issue of shares	2,481	–	(501)	–	1,980
Transfer to contributed surplus	(10,004,289)	10,004,289	–	–	–
2019 special dividend declared (note 11)	–	(1,683,018)	–	–	(1,683,018)
2019 special dividend declared and paid (note 11)	–	(6,732,072)	–	–	(6,732,072)
2019 interim dividend declared and paid (note 11)	–	(706,867)	–	–	(706,867)
At 31 December 2019 and 1 January 2020	2,481	1,476,143	–	(130,219)	1,348,405
Profit for the year	–	–	–	985,148	985,148
Total comprehensive income for the year	–	–	–	985,148	985,148
2020 special dividend declared and paid (note 11)	–	(807,849)	–	–	(807,849)
At 31 December 2020	2,481	668,294	–	854,929	1,525,704

The contributed surplus of the Company included the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1991 prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor amounting to HK\$29,950,000. In addition, pursuant to special resolutions passed at the annual general meeting of the Company held on 7 August 2015 and 12 June 2019, the entire amounts of HK\$563,861,000 and HK\$10,004,289,000 standing to the credit of share premium account of the Company as at 7 August 2015 and 31 December 2018 respectively were cancelled, and the corresponding balance arising therefrom was credited to the contributed surplus account of the Company. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 22 March 2021.

Corporate Information

Board of Directors

Executive Directors

Mr. FUNG Chiu Chak, Victor (*Vice Chairman*)
Mr. CHIU Chin Hung
Mr. LAU Kin Fai

Non-executive Directors

Mr. Justin WAI (*Chairman*)
Mr. David Robert MCCLURE
Mr. YUEN Pak Man
Ms. GU Ye
Ms. HOU Xiangjia

Independent Non-executive Directors

Mr. LUNG Chee Ming, George
Mr. LI Kit Chee
Ms. CHOW Wai Lee
Ms. Jennifer KWOK

Audit Committee

Mr. LI Kit Chee (*Chairman*)
Mr. LUNG Chee Ming, George
Ms. CHOW Wai Lee
Ms. Jennifer KWOK

Remuneration Committee

Mr. LUNG Chee Ming, George (*Chairman*)
Mr. Justin WAI
Mr. FUNG Chiu Chak, Victor
Mr. YUEN Pak Man
Mr. LI Kit Chee
Ms. CHOW Wai Lee
Ms. Jennifer KWOK

Nomination Committee

Mr. Justin WAI (*Chairman*)
Mr. FUNG Chiu Chak, Victor
Mr. YUEN Pak Man
Mr. LUNG Chee Ming, George
Mr. LI Kit Chee
Ms. CHOW Wai Lee
Ms. Jennifer KWOK

Financial Controller

Ms. YIP Pui Shan

Company Secretary

Ms. WONG Suk Han, Kitty

Auditor

Ernst & Young

Legal Advisers

Conyers, Dill & Pearman
Reed Smith Richards Butler

Principal Bankers

Agricultural Bank of China Limited, Hong Kong Branch
China Citic Bank International Limited
China Construction Bank
Hang Seng Bank Limited
Shanghai Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

20th Floor, One Island South
No. 2 Heung Yip Road
Wong Chuk Hang
Hong Kong

Branch Registrar in Hong Kong

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