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TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “Board”) of directors (the “Directors”) of Tysan Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022. During the period under review, the Group recorded a turnover of HK\$1,018 million (period ended 30 June 2021: HK\$1,109 million) and a loss attributable to ordinary equity holders of the Company of about HK\$3 million (period ended 30 June 2021: loss of HK\$8 million), representing a loss of HK0.08 cents per ordinary share of the Company (“Share”) (period ended 30 June 2021: loss of HK0.24 cents per Share).

BUSINESS REVIEW

Foundation Piling

For the period under review, turnover of the Group’s foundation piling segment was about HK\$1,008 million (period ended 30 June 2021: HK\$1,088 million) and the segment recorded a profit of about HK\$43 million (period ended 30 June 2021: profit of HK\$30 million).

The Group’s major contracts on hand include various commercial and residential development projects at New Kowloon Inland Lot No. 6610 at Kai Tak Area 1E Site 1, Inland Lot No. 9065 on Gage Street and Graham Street, various projects at Tai Po Town Lot No. 157, Sai Sha, Shap Sze Heung, West Kowloon Cultural District Zones 2B & 2C, rental housing project at Shek Pai Wan Road, Anderson Road Quarry Sites R2-6 and R2-7 and Fanling North Area 15 East Phase 1.

PROSPECTS

Despite the challenging global economic conditions, we are cautiously optimistic about our business outlook. Construction works have continued to pick up as COVID-related public health measures ease and infrastructure works relating to the Northern Metropolis Development Strategy begin. As a result, tender flow for our foundation piling business has been healthy from both the public and private sectors.

One risk to our relatively optimistic outlook is pressure on our cost structure. Supply chain interruptions and global inflationary pressure have resulted in volatile fuel and steel prices. Meanwhile, the demand for skilled labour and technical personnel in the construction industry locally have resulted in production cost pressure.

The Group would continue to focus on foundation and piling business and to look for suitable opportunities for investment. Its strong balance sheet will enable the Group to make significant new investments when opportunities arise.

FINANCIAL REVIEW

Financial position, liquidity and financial resources

As at 30 June 2022, the Group's cash on hand was about HK\$597 million (31 December 2021: HK\$651 million) while total assets and net assets were about HK\$1,919 million (31 December 2021: HK\$2,081 million) and HK\$1,366 million (31 December 2021: HK\$1,415 million), respectively. Total liabilities were about HK\$553 million (31 December 2021: HK\$666 million), out of which financial liabilities were about HK\$297 million (31 December 2021: HK\$400 million) and the remaining were mainly accruals, contract liabilities and current or deferred tax provision.

As at 30 June 2022, the Group had an interest-bearing borrowing of about HK\$55 million (31 December 2021: HK\$58 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 30 June 2022 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. Borrowings are 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 six months ended 30 June 2022, the Group invested about HK\$21 million on purchase of machinery and equipment. As at 30 June 2022, the Group had capital commitments in relation to purchase of machinery and equipment of about HK\$11 million. Capital expenditure is principally financed by internal resources.

Pledge of assets

As at 30 June 2022, an office premise of the Group with a carrying amount of about HK\$126 million and a bank deposit of about HK\$5 million were pledged to banks to secure the instalment loan and a banking facility granted to the Group respectively.

Contingent liabilities

Contingent liabilities in relation to corporate guarantees provided by the Group to banks for issue of performance bonds increased from about HK\$414 million as at 31 December 2021 to about HK\$451 million as at 30 June 2022. 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 Mainland China, employed approximately 793 employees as at 30 June 2022. 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.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK\$0.01 (period ended 30 June 2021: HK\$0.01) per Share for the six months ended 30 June 2022. The interim dividend will be payable on Monday, 26 September 2022 to shareholders whose names appear on the Company's register of members on Tuesday, 6 September 2022.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 5 September 2022 to Tuesday, 6 September 2022 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for entitlement of the interim dividend for the six months ended 30 June 2022, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 2 September 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 June	
		2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2021 <i>HK\$'000</i> <i>(Unaudited)</i>
REVENUE	4	1,018,220	1,109,363
Cost of sales		<u>(979,415)</u>	<u>(1,076,613)</u>
Gross profit		38,805	32,750
Other income and gains	5	11,138	5,163
Administrative expenses		(39,288)	(42,373)
Other expenses, net		(2,117)	(1,959)
Finance costs		<u>(1,004)</u>	<u>(706)</u>
PROFIT/(LOSS) BEFORE TAX	6	7,534	(7,125)
Income tax expense	7	<u>(10,385)</u>	<u>(831)</u>
LOSS FOR THE PERIOD		<u>(2,851)</u>	<u>(7,956)</u>
Attributable to:			
Ordinary equity holders of the Company		<u>(2,851)</u>	<u>(7,956)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		<u>(HK0.08 cents)</u>	<u>(HK0.24 cents)</u>
Diluted		<u>(HK0.08 cents)</u>	<u>(HK0.24 cents)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	<u>(2,851)</u>	<u>(7,956)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange difference on translation of foreign operations	<u>(1,049)</u>	<u>188</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD, NET OF TAX	<u>(1,049)</u>	<u>188</u>
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	<u><u>(3,900)</u></u>	<u><u>(7,768)</u></u>
Attributable to:		
Ordinary equity holders of the Company	<u><u>(3,900)</u></u>	<u><u>(7,768)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	10	171,499	175,623
Right-of-use assets		108,305	114,333
Prepayments, deposits and other receivables		2,625	1,457
Deferred tax assets		6,147	12,966
		<hr/>	<hr/>
Total non-current assets		288,576	304,379
CURRENT ASSETS			
Inventories		142,145	192,468
Trade receivables	11	107,830	268,869
Contract assets		749,365	638,172
Prepayments, deposits and other receivables		28,865	25,918
Pledged deposit		5,460	–
Cash and cash equivalents		596,700	650,890
		<hr/>	<hr/>
Total current assets		1,630,365	1,776,317
CURRENT LIABILITIES			
Trade and retention payables, accruals and provision	12	417,123	489,229
Other payables, deposits received and receipts in advance		2,291	2,743
Contract liabilities		45,487	82,494
Interest-bearing bank borrowing		4,432	4,899
Lease liabilities		9,401	9,091
Tax payable		549	224
		<hr/>	<hr/>
Total current liabilities		479,283	588,680
NET CURRENT ASSETS			
		<hr/> 1,151,082 <hr/>	<hr/> 1,187,637 <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Notes</i>	As at 30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,439,658	1,492,016
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing		50,752	52,676
Lease liabilities		8,945	13,208
Deferred tax liabilities		14,259	11,040
Total non-current liabilities		73,956	76,924
Net assets		1,365,702	1,415,092
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		336,603	336,603
Reserves		1,029,099	1,078,489
Total equity		1,365,702	1,415,092

1. CORPORATE INFORMATION

Tysan Holdings Limited (the “Company”) is a limited liability company incorporated in 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. The Company and its subsidiaries (the “Group”) is principally engaged in foundation piling and site investigation and property development and investment business. The Company’s shares (“Shares”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and should be read in conjunction with the financial statements for the year ended 31 December 2021.

The unaudited condensed interim financial statements have been prepared under historical cost convention. The accounting policies used in the preparation of the unaudited condensed interim financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2021, except for the changes in accounting policies made after the adoption of the revised Hong Kong Financial Reporting Standards (“HKFRSs”) as further detailed in note 2.2 below.

2.2 Amendments to HKFRSs adopted by the Group

In the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Reference to Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The adoption of these amendments to HKFRSs has had no significant financial effect on the unaudited condensed interim financial statements of the Group.

The unaudited condensed interim financial statements were approved and authorised for issue by the Board on 19 August 2022.

3. 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 provided. Operating segments are reported in a manner consistent with internal reporting to the Company's key management personnel.

For the six months ended 30 June 2022

	Foundation piling <i>HK\$'000</i> <i>(Unaudited)</i>	Property development and investment <i>HK\$'000</i> <i>(Unaudited)</i>	Corporate and others <i>HK\$'000</i> <i>(Unaudited)</i>	Elimination <i>HK\$'000</i> <i>(Unaudited)</i>	Consolidated <i>HK\$'000</i> <i>(Unaudited)</i>
Segment revenue:					
Sales to external customers	1,008,383	–	9,837	–	1,018,220
Intersegment sales	–	–	815	(815)	–
Other income and gains	8,644	13	1,008	–	9,665
	<u>1,017,027</u>	<u>13</u>	<u>11,660</u>	<u>(815)</u>	<u>1,027,885</u>
Segment results	<u>43,051</u>	<u>(1,263)</u>	<u>(35,239)</u>		6,549
Interest income					1,473
Finance costs (other than interest on lease liabilities)					<u>(488)</u>
Profit before tax					7,534
Income tax expense					<u>(10,385)</u>
Loss for the period					<u>(2,851)</u>

3. SEGMENT INFORMATION (CONT'D)

For the six months ended 30 June 2021

	Foundation piling <i>HK\$'000</i> <i>(Unaudited)</i>	Property development and investment <i>HK\$'000</i> <i>(Unaudited)</i>	Corporate and others <i>HK\$'000</i> <i>(Unaudited)</i>	Elimination <i>HK\$'000</i> <i>(Unaudited)</i>	Consolidated <i>HK\$'000</i> <i>(Unaudited)</i>
Segment revenue:					
Sales to external customers	1,087,523	–	21,840	–	1,109,363
Intersegment sales	–	–	970	(970)	–
Other income and gains	3,852	–	224	–	4,076
Total	<u>1,091,375</u>	<u>–</u>	<u>23,034</u>	<u>(970)</u>	<u>1,113,439</u>
Segment results	<u>30,078</u>	<u>(2,249)</u>	<u>(35,460)</u>		(7,631)
Interest income					1,087
Finance costs (other than interest on lease liabilities)					(581)
Loss before tax					(7,125)
Income tax expense					(831)
Loss for the period					<u>(7,956)</u>

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Revenue from contracts with customers</i>		
Construction services	1,008,383	1,087,523
Machinery engineering services	4,427	10,899
Machinery trading	–	1,538
	1,012,810	1,099,960
<i>Revenue from other sources</i>		
Gross rental income from machinery leasing	5,410	9,403
	1,018,220	1,109,363

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest income	1,473	1,087
Insurance claims	–	6
Subsidy income*	6,738	–
Gain on disposal of items of property, plant and equipment	83	2,632
Foreign exchange gains, net	74	13
Write-back of impairment of contract assets	389	–
Others	2,381	1,425
	<u>11,138</u>	<u>5,163</u>

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

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Depreciation of property, plant and equipment	24,358	23,166
Depreciation of right-of-use assets	6,760	8,387
Gain on disposal and write-off of items of property, plant and equipment*	(83)	(2,632)
Impairment of trade receivables*	593	434
Write-back of impairment of contract assets*	(389)	–
Foreign exchange differences, net*	(74)	(13)
	<u>(74)</u>	<u>(13)</u>

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

7. INCOME TAX

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current:		
Provision for tax in respect of profit for the period:		
People's Republic of China (the "PRC"):		
Hong Kong	334	–
Elsewhere	3	32
	<u>337</u>	<u>32</u>
Underprovision in the prior years:		
PRC:		
Hong Kong	–	195
	<u>–</u>	<u>195</u>
Deferred tax	<u>10,048</u>	<u>604</u>
Total tax charge for the period	<u><u>10,385</u></u>	<u><u>831</u></u>

8. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interim dividend – HK\$0.01 (2021: HK\$0.01) per ordinary share	<u><u>33,660</u></u>	<u><u>33,660</u></u>

Notes:

- (a) A final dividend of HK\$0.015 per ordinary share, totaling approximately HK\$50,491,000, for the year ended 31 December 2021 was approved in the Company's Annual General Meeting on 25 May 2022 and paid on 27 June 2022.
- (b) An interim dividend in respect of the six months ended 30 June 2022 of HK\$0.01 per ordinary share, amounting to approximately HK\$33,660,000 was approved at the board meeting on 19 August 2022. The interim dividend has not been recognised as a liability in the unaudited condensed interim financial statements.

9. 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 period attributable to ordinary equity holders of the Company of HK\$2,851,000 (2021: HK\$7,956,000), and the number of ordinary shares of 3,366,035,709 (2021: 3,366,035,709) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2022 in respect of a dilution as the impact of the share options did not have a dilutive effect on the basic loss per share amount presented.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2021 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic loss per share amount presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment with a cost of HK\$20,549,000 (2021: HK\$9,709,000). Property, plant and equipment with a net carrying amount of HK\$315,000 were disposed of and written off by the Group during the six months ended 30 June 2022 (2021: HK\$336,000) resulting in a net gain on disposal and written off of HK\$83,000 (2021: HK\$2,632,000).

11. 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.

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:

	As at 30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
Within 90 days	100,678	267,249
91 to 180 days	5,781	240
181 to 365 days	714	723
Over 365 days	657	657
	<u>107,830</u>	<u>268,869</u>

12. 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:

	As at 30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
Trade payables:		
Within 90 days	164,066	261,774
91 to 180 days	200	198
Over 180 days	26	27
	<hr/> 164,292	<hr/> 261,999
Retention payables	57,218	55,736
Accruals	163,903	136,819
Provision	31,710	34,675
	<hr/> 417,123 <hr/>	<hr/> 489,229 <hr/>

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.

13. CONTINGENT LIABILITIES

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

	As at 30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
Guarantees in respect of performance bonds in relation to subsidiaries	450,644	413,628
	<hr/> 450,644 <hr/>	<hr/> 413,628 <hr/>

14. COMMITMENTS

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Property, plant and equipment: – contracted, but not provided for	<u>10,856</u>	<u>15,908</u>

CORPORATE GOVERNANCE

During the period under review, the Company has complied with, and there has been no deviation from the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee (“Audit Committee”) of the Group comprises four members, namely Mr. Li Kit Chee, Mr. Lung Chee Ming, George, Ms. Chow Wai Lee and Ms. Jennifer Kwok who are independent non-executive Directors. The chairman of the Audit Committee is Mr. Li Kit Chee.

The primary duties of the Audit Committee are to review and supervise the financial reporting system, risk management and internal control systems of the Group, to review the Group’s financial information, compliance and to provide advice and comments to the Board.

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2022 have been reviewed by the Audit Committee.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules 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 for the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period.

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

Hong Kong, 19 August 2022

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

Company website: www.tysan.com