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TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 00687)

CONNECTED TRANSACTIONS

Financial adviser to the Company



Horwath Capital Asia Limited

Bank Guarantee

The Board announces that on 8 July 2004, the Company has provided a guarantee in favour of the Bank in order to obtain banking facilities for TBC and TEHK, subject to independent Shareholders' approval. TBC is owned as to 50 per cent. by the Company, 35 per cent. by Mr. Fung and 15 per cent. by an independent third party. TEHK is a wholly-owned subsidiary of TE, which is owned as to 70 per cent. by the Company, 17 per cent. by Mr. Wong, 8 per cent. by Mr. Fung and 5 per cent. by an independent third party. As both Mr. Fung and Mr. Wong are Directors, TBC and TEHK are connected persons of the Company under Rule 14A.11 of the Listing Rules. The provision of the Bank Guarantee by the Company to connected persons constitutes a connected transaction and is subject to the disclosure requirements and approval by independent Shareholders pursuant to Rule 14A.63 of the Listing Rules.

Tenancy Agreement

The Board also announces that on 8 July 2004, Great Regent, a wholly-owned subsidiary of the Company, entered into the Tenancy Agreement pursuant to which it has agreed to lease the Property from Land Smart for an initial term of three years, with an option to renew for a further two years.

Land Smart is an associate of Mr. Chien, a Director, and is therefore a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. Accordingly, the Tenancy Agreement constitutes a connected transaction for the Company under the Listing Rules and is subject to the disclosure requirements pursuant to Rules 14A.45 and 14A.46 of the Listing Rules.

A circular containing, inter alia, details of the Bank Guarantee, a letter from an independent financial adviser containing its advice on the Bank Guarantee, and a letter from the Independent Board Committee together with a notice convening the SGM of the Company will be dispatched to Shareholders as soon as practicable.

CONNECTED TRANSACTIONS

I. BANK GUARANTEE

Borrowers:	TBC and TEHK
Lender:	the Bank
Guarantor:	the Company
Banking facilities:	HK\$30 million revolving project finance facility and letter of guarantee, and HK\$5 million revolving trade financing facilities, to be available for use by TBC and TEHK

The said banking facilities HK\$35 million will be available for use by TBC and TEHK, subject to independent Shareholders' approval. The Company is required to provide the Bank Guarantee in favour of the Bank, an independent third party not connected with the directors, chief executive, substantial shareholders of the Company and its subsidiaries or any of their respective associates, as security for the said banking facilities. The maximum liability of the Company in respect of the Bank Guarantee is limited to HK\$35 million with compound interest thereon at a rate to be charged by the Bank.

The other shareholders of TBC and TE (which owns 100 per cent. equity interest in TEHK) will provide a pro rata counter indemnity to the Company in respect of the Bank Guarantee such that the liabilities arising from the Bank Guarantee will be shared among all other shareholders of TBC and TE. The Company will neither provide nor receive any fee, security or other form of remuneration to or from TBC and TEHK or the other shareholders of TBC or TE in respect of the Bank Guarantee.

Reasons and benefits of the Bank Guarantee

The Bank Guarantee is provided as security to enable TBC and TEHK to obtain the banking facilities to support their normal commercial operations such as, without limitation, the establishment of documentary letter of credit, project financing and the issue of bonds.

Having considered the prevailing low interest rates environment, the Directors are of the view that it is beneficial for TBC and TEHK to make use of banking facilities rather than other forms of financing such as equity or shareholders' loans in order to enjoy lower funding costs.

The Directors are of the view that the rates and terms of the banking facilities above are similar to those provided by other banks and are on normal commercial terms.

The Directors consider that it is common for banks to require a sole or joint and several guarantees to be given by the ultimate listed holding company because they are more confident in the financial position of the listed company and therefore consider it to be a better security for their banking facilities. Furthermore, a guarantee on several bases (instead of on a joint and several bases) is usually not acceptable to banks.

As the Bank Guarantee is provided on normal commercial terms and in the circumstances mentioned above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Bank Guarantee are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Company and its Shareholders as a whole.

Listing Rules Implications

TBC is owned as to 50 per cent. by the Company, 35 per cent. by Mr. Fung and 15 per cent. by an independent third party. TEHK is owned as to 70 per cent. by the Company, 17 per cent. by Mr. Wong, 8 per cent. by Mr. Fung and 5 per cent. by an independent third party. Both Mr. Fung and Mr. Wong are Directors and therefore, both TBC and TEHK are connected persons of the Company under Rule 14A.11 of the Listing Rules. The provision of the Bank Guarantee by the Company to connected persons constitutes a connected transaction. As the amount involved in the Bank Guarantee exceeds HK\$10 million, the provision of the Bank Guarantee is subject to the disclosure requirements and approval by independent Shareholders pursuant to Rule 14A.63 of the Listing Rules. The Company will seek the approval by the independent Shareholders by way of a poll at the SGM.

II. TENANCY AGREEMENT

Date:	8 July 2004
Landlord:	Land Smart whose principal business is property investment
Tenant:	Great Regent
Property:	Level 21, Super Ocean Finance Centre, No. 2067 Yan'an Xi Road, Changning District, Shanghai, PRC with about 1,160 square meters
Term:	an initial term of 3 years commencing on 1 August 2004 and expiring on 31 July 2007, with an option to renew for a further term of 2 years commencing on 1 August 2007 and expiring on 31 July 2009
Payment date:	payable in cash in advance on the first day of each calendar month
Rent:	United States dollars 13,230 per month (equivalent to about HK\$103,194), exclusive of telecommunication charges, facility charges, management fees and electricity charges

Reasons for the Tenancy Agreement

The Group is principally engaged in foundation piling, machinery hiring and trading, property investment and development. Since the tenancy for the Company's office in Shanghai will expire in August 2004, the Board has decided to enter into the Tenancy Agreement after arm's length negotiations with Land Smart with reference to the prevailing market rental. An independent property valuer has confirmed that the terms of the Tenancy Agreement are on normal commercial terms, fair and reasonable and reflecting the prevailing market rental and conditions. The Directors, including non-executive Directors, are of the opinion that the terms of the Tenancy Agreement are fair and reasonable and are in the interest of the Company and its Shareholders.

Listing Rules Implications

Land Smart is 50 per cent. owned by Mr. Chien, a Director, and is therefore a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. Accordingly, the Tenancy Agreement constitutes a connected transaction for the Company under the Listing Rules and is subject to the disclosure requirements pursuant to Rules 14A.45 and 14A.46 of the Listing Rules. Since the total annual rental payable by Great Regent under the Tenancy Agreement

represents less than 2.5 per cent. of the applicable percentage ratios of the Company and is less than HK\$10 million, no independent Shareholders' approval is required. Pursuant to Rule 14A.46 of the Listing Rules, details of the Tenancy Agreement will be included in the published annual reports and accounts of the Company of each of the relevant financial years.

Under the terms of the Tenancy Agreement, Great Regent has an option to renew the tenancy for a further term of two years commencing 1 August 2007 and ending 31 July 2009, immediately upon the expiry of the initial term of the Tenancy Agreement on 31 July 2007, on the condition that: (i) Great Regent gives prior notice to Land Smart; and (ii) the rental payable for the second rental period shall be based on the open market rental to be agreed. In the event that Great Regent exercises the above-mentioned option, the Company will comply with all the disclosure and/or Shareholders' approval requirements under the Listing Rules.

III. OTHER INFORMATION

The Group is principally engaged in foundation piling, machinery hiring and trading, and property investment and development.

The SGM will be convened at which a resolution will be proposed to consider and, if thought fit, approve the Bank Guarantee. Mr. Fung, Mr. Wong and other shareholders of TBC and TE and their respective associates will abstain from voting in the SGM.

A circular containing, inter alia, details of the Bank Guarantee, a letter from an independent financial adviser containing its advice on the Bank Guarantee, a letter from the Independent Board Committee together with a notice convening the SGM will be dispatched to Shareholders as soon as practicable.

IV. GENERAL

As at the date of this announcement, the executive Directors are (i) Mr. Francis Cheung, (ii) Mr. Fung Chiu Chak, Victor, (iii) Mr. David Chien, (iv) Miss Jennifer Kwok, (v) Mr. Chiu Chin Hung, and (vi) Mr. Wong Kay, and the independent non-executive Directors are Mr. Fan Chor Ho, Paul, and Mr. Chau Cham Son.

Definitions

"Bank"	a financial institution in Hong Kong
"Bank Guarantee"	the corporate guarantee provided by the Company to the Bank in respect of the banking facilities made available to TBC and TEHK as described in section headed "Bank Guarantee" above
"Board"	the board of Directors
"Company"	Tysan Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
"Director(s)"	the director(s) of the Company
"Great Regent"	Great Regent Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Independent Board Committee"	an independent board committee of the Company comprising Messrs. Fan Chor Ho Paul and Chau Cham Son
"Land Smart"	Land Smart Development Limited, a company incorporated in Hong Kong with limited liability and which is owned as to 50 per cent. by Mr. Chien and 50 per cent. by an independent third party
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chien"	Mr. David Chien, an executive Director
"Mr. Fung"	Mr. Fung Chiu Chak, Victor, an executive Director
"Mr. Wong"	Mr. Wong Kay, an executive Director
"Property"	Level 21, Super Ocean Finance Centre, No. 2067 Yan'an Xi Road, Changning District, Shanghai, PRC
"SGM"	special general meeting of the Company to be convened to consider and, if thought fit, approve the provision of the Bank Guarantee
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TBC"	Tysan Building Construction Company Limited, a company owned as to 50 per cent. by the Company, 35 per cent. by Mr. Fung, and 15 per cent. by an independent third party not otherwise related to the Company
"TE"	Tysan Engineering Company Limited, a company owned as to 70 per cent. by the Company, 17 per cent. by Mr. Wong, 8 per cent. by Mr. Fung and 5 per cent. by an independent third party not otherwise related to the Company
"TEHK"	Tysan Engineering (HK) Company Limited, a wholly-owned subsidiary of TE
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong

For the purpose of this announcement, the translation of United States dollars into Hong Kong dollars is made for illustration purpose only at the exchange rate of US\$1.0 to HK\$7.8.

By Order of the Board
Tysan Holdings Limited
Francis Cheung
Chairman

Hong Kong 12 July, 2004