



TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 00687)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2005

RESULTS

The Board of Directors is pleased to announce the audited consolidated results of Tysan Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2005, together with the comparative figures for the previous year, as follows:

	Notes	2005 HK\$'000	2004 HK\$'000
TURNOVER	2	675,845	702,592
Cost of sales		(663,917)	(710,001)
Gross profit/(loss)		11,928	(7,409)
Other revenue and gains	3	19,256	17,372
Selling expenses		(1,184)	(848)
Administrative expenses		(31,698)	(29,334)
Surplus arising from revaluation of investment properties		31,929	109,480
Other operating expenses		(8,644)	(5,173)
PROFIT FROM OPERATING ACTIVITIES	4	21,587	84,088
Finance costs	5	(7,247)	(7,350)
PROFIT BEFORE TAX		14,340	76,738
Tax	6	(2,346)	47
PROFIT BEFORE MINORITY INTERESTS		11,994	76,785
Minority interests		(24,532)	(60,901)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(12,538)	15,884
EARNINGS/(LOSS) PER SHARE	7		
Basic		(1.65 cents)	2.16 cents
Diluted		N/A	2.13 cents

Notes:

(1) BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that certain investment properties and certain equity investments are stated at fair value.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, hereinafter collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

Hong Kong Interpretation 3 "Revenue - Pre-completion Contracts for the Sale of Development Properties" applies to pre-completion contracts for the sale of development properties entered into on or after 1 January 2005. The Group did not elect to retrospectively apply this interpretation to pre-completion contracts for the sale of development properties entered into before 1 January 2005, and the Group did not have any pre-completion contracts entered into on or after 1 January 2005. Accordingly, this Interpretation has had no impact on these financial statements.

(2) SEGMENT INFORMATION

(a) Business segments

The following table presents revenue, profit/(loss) information for the Group's business segments.

	Foundation piling		E&M engineering and building construction		Machinery trading and management		Property investment and development		Unallocated		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
HK\$'000	429,086	380,929	125,690	204,952	15,427	15,369	95,363	91,565	10,279	9,777	—	—	—	675,845
2005	—	—	648	—	2,430	1,297	—	600	—	—	—	—	(3,078)	(1,897)
Total	429,086	380,929	126,338	204,952	17,857	16,666	95,363	92,165	10,279	9,777	—	—	(3,078)	(1,897)

Segment revenue:

Sales to external customers	429,086	380,929	125,690	204,952	15,427	15,369	95,363	91,565	10,279	9,777	—	—	—	675,845
Intersegment sales	—	—	648	—	2,430	1,297	—	600	—	—	—	—	(3,078)	(1,897)
Total	429,086	380,929	126,338	204,952	17,857	16,666	95,363	92,165	10,279	9,777	—	—	(3,078)	(1,897)

Segment results

(200,000)	(30,862)	2,639	4,274	(14,584)	(9,439)	76,727	149,984	6,168	(4,031)	(30,187)	(26,981)	—	—	20,834	63,125
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Interest Income

														750	962
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Dividend income from listed investments

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Profit from operating activities

														21,587	84,088
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Finance costs

														(7,247)	(7,350)
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Profit before tax

														14,340	76,738
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Tax

														(2,346)	47
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Profit before minority interests

														11,994	76,785
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Minority interests

														(24,532)	(60,901)
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Net profit/(loss) from ordinary activities attributable to shareholders

														(12,538)	15,884
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(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2005	2004	2005	2004	2005	2004
HK\$'000	571,087	602,271	104,758	100,321	675,845	702,592

(3) OTHER REVENUE AND GAINS

	2005 HK\$'000	2004 HK\$'000
Interest income	750	962
Insurance claims	1,152	1,188
Gain on disposal of an investment property	105	3,000
Gain on disposal of fixed assets	3,174	5,124
Gain on sale of steel scrap	578	1,171
Unrealised holding gains on short term listed investments	208	50
Negative goodwill recognised as income during the year	3,794	3,793
Tax refund in respect of reinvestment of distributable profits from certain subsidiaries in the PRC	5,475	—
Others	4,020	2,084
	19,256	17,372

(4) PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2005 HK\$'000	2004 HK\$'000
Goodwill:		
Amortisation for the year	87	1,653
Impairment arising during the year	—	920
	87	2,573
Depreciation	57,323	67,247
Impairment of other assets	—	210
Loss on disposal of other assets	—	420
Dividend income from listed investments	(3)	(1)

(5) FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	10,085	10,980
Finance leases	126	480
Total interest	10,211	11,460
Less: Interest capitalised in properties under development	(2,964)	(4,110)
	7,247	7,350

(6) TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. 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, based on existing legislation, interpretations and practices in respect thereof.

	2005 HK\$'000	2004 HK\$'000
Provision for tax in respect of profit for the year:		
PRC:		
Hong Kong	531	1,200
Elsewhere	8,175	7,264
	8,706	8,464

Overprovision in the prior year:

	2005 HK\$'000	2004 HK\$'000
PRC:		
Hong Kong	(1,080)	(8)
Elsewhere	(15)	(247)
	(1,095)	(255)
Deferred tax	(5,265)	(8,256)
Total tax charge/(credit) for the year	2,346	(47)

(7) EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK\$12,538,000 (2004: net profit of HK\$15,884,000), and the weighted average of 761,910,013 (2004: 734,135,302) ordinary shares in issue during the year. Diluted loss per share for the year has not been disclosed, as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 March 2004 was based on the net profit attributable to shareholders for that year of HK\$15,884,000. The weighted average number of ordinary shares used in the calculation was the 734,135,302 ordinary shares in issue during that year, as used in the basic earnings per share calculation and the weighted average of 12,900,029 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during that year.

DIVIDEND

No interim dividend was paid during the year (2003/04: Nil). As a result of the consolidated net loss of the Group, the Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2005 (2003/04: Nil). No interim dividend was paid for the six months ended 30 September 2004 (2002/03: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 August 2005 to 12 August 2005 (both dates inclusive) during which period no transfer of shares will be registered. All transfers and relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Tengis Limited, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:30 p.m. on 4 August 2005.

BUSINESS REVIEW

Hong Kong Market

During the year under review, Hong Kong's economy has picked up its momentum as reflected by the recovery of certain property sector, falling unemployment rate and the return of overall market sentiment. However, such recovery has yet to bring any significant impact to the construction sector as most of the improvement on economic indicators were retail/service industry related or driven.

Foundation Piling

During the year under review, turnover of the foundation division was HK\$429 million while net contribution before depreciation was HK\$19 million. Approximately 60% of the Group's contracts during the year under review were from the public sector while the remaining were from the private sector. The Group's major contracts on hand include, inter alia, Stonecutters Bridge, Venetian Hotel in Macau, Swire Properties' development project in Westland Road and the recently awarded Henderson's \$130 million contract in Kwan Tong. With the positive impact of the recovery of Hong Kong's economy gradually sieving in, it is expected that the foundation division's performance will be much better in the financial year ending 31 March 2006.

Other Construction Related Segments

During the year under review, the Group's electrical and mechanical division and building construction division recorded a turnover of HK\$126 million while operating profit was HK\$2 million. Although profit margin is slim due to keen competition, the Group continues to expect profitable returns from the divisions. The Group's machinery hiring and trading arm recorded a turnover of HK\$15 million with major contribution from the tower cranes market. Though the division still suffered a loss, we expect this division to turnaround in the coming financial year as the machinery hiring rental market gradually improves.

PRC Market

China's economy continues to grow at a respectable rate. In 2004, China's GDP grew 9.5% to over US\$1,640 billion with a per capita GDP of US\$1,200. Shanghai, being the commercial and financial center of China, recorded a GDP growth of 13.6% to US\$90 billion with a per capita GDP of over US\$6,600. Tianjin, on the other hand experienced a GDP growth of 15.7% to US\$35 billion in 2004 with a per capita GDP of US\$3,800.

Property Investment and Management

Property management plays a key role in enhancing the value of investment properties. With our professional property management team, we are able to provide the best hospitality services to all our tenants. In addition to our quality services, the increasing number of expatriates in Shanghai has warranted robust demand for quality service apartments, thereby fueling the increase in rental prices. During the financial year under review, both our Shanghai's service apartments, China Garden and Aidu, have enjoyed satisfactory growth and high occupancy level.

Tianjin International Building continues to command the highest rental in Tianjin with superb occupancy rate. In order to sustain its leadership role, we will commence the renovation of its service apartments. With the coming new five-star quality fittings and cutting-edge design, recently renovated office floors and lobby and customer-oriented management style, we are confident that the value of Tianjin International Building will be further enhanced.

In addition, the potential upward revaluation of the Rmb further adds a positive note to all our investment properties in China.

Property Development

The central government has imposed a series of measures to cool down the overheated property market. These measures include, inter alia, imposing business taxes on sales proceeds or capital gains, subject to the holding period and whether the property is classified as "ordinary units" (普通住房); cancellation of land-use rights for sites idled for two years or more; and ban on onward sale of uncompleted properties. As the measures are geared for curbing speculation, residential units under the classification of "ordinary units" are being totally exempted from paying business tax if the property is being held for not less than two years. In the case of Shanghai, it was formally announced that residential units located within the Inner Ring (which means city centre), where our Putuo Project sites, are classified as "ordinary units" if the unit area is not more than 140 sqm. and the price is not more than Rmb17,500 psm.

Our residential development project, with a total area of about 147,000 sqm, is located within Shanghai's Inner Ring at Putuo district overlooking Suzhou river. When completed, there will be about 1,025 units with over 57% of the units with area less than 140 sqm. Since we expect the selling price of such units to be less than Rmb17,500 psm, all such units will be categorized as "ordinary units" and thus be able to enjoy the business tax exemption and a lower deed tax. The project has commenced its foundation works and presale will be in the first half of 2006.

The Group's other residential development project, located at Tianjin's key development area, the Haihe River Project area, will commence in the fourth quarter of this year. Upon completion, there will be over 600 units with a total area of about 75,000 sqm. Pre-sale is expected to be in the second half of 2006.

The Group is confident that the two development projects will translate into good earnings for the Group in the coming years.

PROSPECTS

In Hong Kong, the construction industry has undergone a prolonged downturn in the past years and the Group, with due prudence, is delighted to deliver the news that the worst is finally over. With Hong Kong's people assuming their normal confidence and the property sector shedding some lights of recovery, the Group is cautiously optimistic about the outlook of the local foundation industry. In addition, the construction boom in Macau has created many opportunities for experienced Hong Kong contractors and such trend is expected to continue in the next few years. As a result, the outlook of the Group's foundation business is improving.

In Mainland China, in an effort to rein in speculative activity and safeguard the continued healthy development of the property market, Chinese local governments, under the direction of the Central Government, instituted various measures to alleviate the market. Based on the recent statistics on property prices and transaction volume, such policies have proved to be effective. Such decisive measures are actually welcomed by developers as they signify China's determination and ability in providing a stable environment for the healthy growth of the property market. With Shanghai's rapid economic growth, rising per capita income and the continuing influx of foreign investment, the Group is very optimistic about the prospect of Shanghai and Tianjin property market and will continue to search for suitable sites for future development.

FINANCIAL REVIEW

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 March 2005, the Group's cash on hand was approximately HK\$138 million (31 March 2004: HK\$85 million) while total assets and net assets were approximately HK\$1,847 million (31 March 2004: HK\$1,776 million) and HK\$651 million (31 March 2004: HK\$662 million) respectively. As at 31 March 2005, the Group's working capital amounted to HK\$110 million.

During the year under review, the Group, in view of the prevailing relatively low interest rates, had raised a HK\$185 million 3-year term loan mainly to refinance its higher cost HK\$150 million term loan raised in December 2002. The bank syndicate, which includes Industrial and Commercial Bank of China (Asia) Limited as arranger, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Citic Ka Wah Bank Limited and The Bank of East Asia Limited, was well received and more importantly signifies the bankers' confidence in and support for the Group.

The Group's net borrowings were HK\$257 million as compared to HK\$250 million in the previous period. Total liabilities to total assets gearing ratio was maintained at the prudent level of 33 per cent, as compared to 31 per cent, last year. As at 31 March 2005, contingent liabilities remained at the same level of HK\$41 million as compared to last year in relation to guarantees of performance bonds while certain of the Group's fixed assets with a book value of approximately HK\$347 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were mostly denominated in Hong Kong dollars but Renminbi loan facilities have also been arranged for its PRC subsidiaries. Currency exposure in the Renminbi borrowings has been hedged by the Group's Renminbi assets and revenue as generated by its PRC properties.

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries and joint ventures in Hong Kong and the PRC, employed approximately 950 employees as at 31 March 2005. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Fringe benefits include provident fund, medical insurance and training. In addition, share options may also be granted in accordance to the terms of the Group's approved share option scheme.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication, hard work and contribution especially during such challenging period. In addition, we would also like to thank all our shareholders for their support of the Group.

CODE OF BEST PRACTICES

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Hong Kong Listing Rules throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code. The independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company, in accordance with the provisions of the Company bye-laws.

AUDIT COMMITTEE

The Group's Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the Group's audited results for the year ended 31 March 2005. The Audit Committee comprises three independent non-executive directors of the Company.

PURCHASES, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

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

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Stock Exchange's website in due course.

On behalf of the Board
FRANCIS CHEUNG
Chairman

Hong Kong, 8 July 2005