
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tysan Holdings Limited, you should at once hand this circular and the accompanying proxy form, if any, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

**TYSAN HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 687)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



CENTURION CORPORATE FINANCE LIMITED

A letter from the Board is set out on pages 5 to 12 of this circular and a letter from the Independent Board Committee is set out on page 13 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 25 of this circular.

A notice convening a special general meeting of Tysan Holdings Limited to be held at 11th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong at 2:00 p.m. on Thursday, 10 December 2009 is set out on page 33 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and deposit the same at the principal place of business of Tysan Holdings Limited in Hong Kong at 11th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

9 November 2009

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“2006 Master Agreement”	the master agreement entered into on 26 January 2006 between the Parties;
“Annual Caps”	the maximum aggregate value of the contract sums in respect of transactions permitted under the Master Agreement concerned in respect of the specified categories of works for each financial year concerned as set out therein;
“Appointee”	the Parties or any of their respective subsidiary which is subcontracted by the Appointor in respect of the whole or any part of the works that the Appointor has been awarded or appointed with;
“Appointor”	the Parties or any of their respective subsidiary which has been awarded or appointed with a contract of works for which it may deem appropriate to subcontract the whole or any part of such works to another Party;
“Board”	the board of Directors;
“China Garden”	China Garden International Limited, a 60% subsidiary of the Company;
“Claim”	a Writ with a Statement of Claim issued by Zhou against China Garden on 10 September 2008 in the Hong Kong Court under the Hong Kong Action;
“Company”	Tysan Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange;
“Continuing Connected Transactions”	the non-exempt continuing connected transactions and their respective Annual Caps contemplated under the Master Agreement;
“Director(s)”	the director(s) of the Company;
“EM works”	electrical and mechanical engineering works;
“Group”	the Company and its subsidiaries and associated companies;
“Hong Kong Action”	Action No. HCA 1716 of 2008 taken out by Zhou against China Garden in the Hong Kong Court;
“Hong Kong Court”	the Court of First Instance of the High Court of Hong Kong;

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Incentive Agreement”	a certain incentive agreement dated 22 June 2007 entered into between China Garden and Zhou in connection with services performed by Zhou in relation to the conversion of the source of land use right stipulated in the Certificate of Title for a certain building in Shanghai owned by a wholly-owned subsidiary of China Garden;
“Independent Board Committee”	an independent board committee of the Company comprising Messrs. Fan Chor Ho Paul, Tse Man Bun and Lung Chee Ming, George;
“Independent Financial Adviser”	Centurion Corporate Finance Limited, a corporation licensed to carry out Type 1, Type 4, Type 6 and Type 9 regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the terms and conditions of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder;
“Independent Shareholders”	Shareholders other than Mr. Francis Cheung, Mr. Victor Fung, Mr. Wong, Mr. Jackel Cheung and shareholders of TBC and TE and their respective associates;
“Latest Practicable Date”	6 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Agreement”	the master agreement dated 21 October 2009 entered into among the Parties to set out the principles regulating the business relationship between the Parties and their respective subsidiaries on normal commercial terms with a view to maximizing the business activities and operations of the Group;
“MOP”	Macau Patacas, the lawful currency of Macau;
“Mr. Francis Cheung”	Mr. Francis Cheung, the Chairman and a substantial shareholder of the Company;
“Mr. Jackel Cheung”	Mr. Harvey Jackel Cheung, an Associate Director of the Group and a son of Mr. Francis Cheung;
“Mr. Victor Fung”	Mr. Fung Chiu Chak Victor, the Vice-Chairman, Managing Director and a substantial shareholder of the Company;

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“Mr. Wong”	Mr. Wong Kay, an executive Director;
“Parties”	the parties to the Master Agreement collectively, being TF, TCM, TBC and TE, and individually a “Party”;
“PRC”	the People’s Republic of China;
“Prescribed Manner”	(1) the subcontracting of foundation works by TBC (or its subsidiaries) to TF or TCM (or their respective subsidiaries) or vice versa, or (2) the subcontracting of building and construction works by TF or TCM (or their respective subsidiaries) to TBC (or its subsidiaries) or vice versa, or (3) the subcontracting of EM works by TF, TCM or TBC (or their respective subsidiaries) to TE (or its subsidiaries) or vice versa;
“Previous Continuing Connected Transactions”	continuing connected transactions contemplated by the 2006 Master Agreement;
“RMB”	Reminbi, the lawful currency in the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	a special general meeting of the Company to be convened at 2:00 p.m. on Thursday, 10 December 2009 to approve the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder;
“Shanghai Court”	Shanghai First Intermediate People’s Court in Shanghai of the PRC;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TBC”	Tysan Building Construction Company Limited, an associated company of the Group and is owned as to 49% by the Company and 51% by Victor Create;
“TCM”	Tysan Construction (Macau) Limited, a wholly-owned subsidiary of the Company;
“TE”	Tysan Engineering Company Limited, a non-wholly owned subsidiary of the Company and is owned as to 70% by the Company, 22% by Mr. Wong and 8% by Mr. Victor Fung;

DEFINITIONS

“TEHK”	Tysan Engineering (HK) Company Limited, a wholly-owned subsidiary of TE;
“TF”	Tysan Foundation Limited, a wholly-owned subsidiary of the Company;
“Victor Create”	Victor Create Limited, a company owned as to 60% by Mr. Victor Fung and 40% by Mr. Jackel Cheung;
“Zhou”	Mr. Zhou Su Hua trading as Octad International Development Co.;

Unless otherwise specified in this circular, amounts denominated in MOP have been converted, where appropriate and for the purpose of illustration only, into HK\$ at an exchange rate of approximately MOP1.03 = HK\$1.00.

LETTER FROM THE BOARD



TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 687)

Executive Directors:

CHEUNG Francis (*Chairman*)

FUNG Chiu Chak, Victor

(Vice Chairman and Managing Director)

CHIEN David

KWOK Jennifer

CHIU Chin Hung

WONG Kay

Independent Non-Executive Directors:

FAN Chor Ho, Paul

TSE Man Bun

LUNG Chee Ming George

Registered Office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

*Head office and principal place
of business in Hong Kong:*

11th Floor, Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

9 November 2009

*To the Shareholders and, for information only,
the holders of options of the Company*

Dear Sirs or Madam,

CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

Reference is made to the circular of the Company dated 16 February 2006 in relation to the Previous Continuing Connected Transactions contemplated by the 2006 Master Agreement. At the special general meeting of the Company convened on 6 March 2006, the then independent shareholders of the Company approved the Previous Continuing Connected Transactions. In addition to approving the Previous Continuing Connected Transactions, the annual cap amounts of the Previous Continuing Connected Transactions were also approved through until 31 December 2008.

LETTER FROM THE BOARD

Given the term of the 2006 Master Agreement has expired on 31 December 2008, on 21 October 2009, the Parties entered into the Master Agreement to regulate the business relationship and continuing transactions from time to time between these companies and their respective subsidiaries on normal commercial terms with a view to maximizing the business activities and operations of the Group. The Company proposes to seek Independent Shareholders' approval of the transactions under the Master Agreement subject to the Annual Caps.

Both TF and TCM are wholly-owned subsidiaries of the Company. TBC and TE are respectively an associated company of the Group and a non-wholly owned subsidiary of the Company and for the reasons set out below, both TBC and TE are connected persons of the Company under Rule 14A.11 of the Listing Rules. Thus, the transactions contemplated under the Master Agreement, other than transactions between TF and TCM (both being wholly-owned subsidiaries of the Company) and their respective subsidiaries, constitute continuing connected transactions for the Company under the Listing Rules. Also as set out below, the Continuing Connected Transactions will constitute non-exempt continuing connected transactions for the Company under the Listing Rules. The Company will therefore be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Rules 14A.35 to 14A.41 of the Listing Rules in relation to the Continuing Connected Transactions.

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the transactions under the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder. Centurion Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

The purpose of this circular is (i) to provide Shareholders with further details of the Master Agreement and the Continuing Connected Transactions; (ii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Agreement and the Continuing Connected Transactions; (iii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders with respect to the Master Agreement and the Continuing Connected Transactions; and (iv) to give notice of the SGM to consider and, if thought fit, to approve the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder.

II. CONTINUING CONNECTED TRANSACTIONS

The Master Agreement

Date: 21 October 2009

Parties: TF, TCM, TBC and TE

LETTER FROM THE BOARD

- Continuing Connected Transactions and General Principles of Subcontracting: If and when any Party or any of its subsidiaries shall have been awarded or appointed with a contract for works (the “Appointor”) for which it may deem appropriate to subcontract the whole or any part or parts of such works to another Party or Parties or any of its/their subsidiaries (in each case, the “Appointee”), the Appointor may from time to time in the ordinary and usual course of its business subcontract the whole or any part of such works to the Appointee, subject to the Annual Caps and in the Prescribed Manner by entering into separate and definite agreements provided that the detailed terms of each such transaction shall be in accordance with the principles set out in the Master Agreement. Such detailed terms shall be on normal commercial basis and on terms no less favourable to the Group than those available to or from, as the case may be, to independent third parties, and the pricing thereof shall be no less favourable than the prevailing market rate, and provided further that such terms shall be fair and reasonable and in the interest of the Shareholders as a whole. For the avoidance of doubt, depending on the circumstances, a Party may be the Appointor on one occasion of subcontracting and the Appointee on another occasion and so on.
- Condition Precedent: The arrangements contemplated under the Master Agreement will upon the approval of the Independent Shareholders and the approval of the Stock Exchange where necessary take retrospective effect from 1 April 2009. It is a condition precedent to the Master Agreement and the terms and conditions thereof that if such approval is not obtained on or before 31 December 2009 (or such later date as may be agreed by the Parties), the Master Agreement will automatically terminate and no Party shall have any claim against any other Party or Parties under the Master Agreement.
- Term: The Master Agreement is for a term of 36 months commencing, with retrospective effect, from 1 April 2009 and expiring on 31 March 2012, both dates inclusive.
- Annual Caps: For each category of works concerned specified hereinbelow, the maximum aggregate value of the contract sum in respect of works to be subcontracted by any Party to any other Party on any occasion of subcontracting (excluding transactions between TF and TCM (both being wholly-owned subsidiaries of the Company) and their respective subsidiaries) for each of the financial years concerned shall not exceed the amounts set out below (for the avoidance of doubt, it should be noted that depending on the circumstances, a Party may on certain occasions be

LETTER FROM THE BOARD

the subcontracting party while on other occasions the party receiving the subcontracts and vice versa and therefore the Annual Caps include all such transactions):

	Financial Year Ending		
	31 Mar 2010	31 Mar 2011	31 Mar 2012
	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>
Foundation works	180.00	198.00	218.00
Building and construction works	180.00	198.00	218.00
EM works	70.00	77.00	85.00

Historical Figures:

During the three calendar years ended 31 December 2008, the aggregate subcontracting works under the Previous Continuing Connected Transactions and their respective Annual Caps were as follows:

For the calendar year ended 31 December 2008

	Actual	Cap amount
	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>
1. Building and Construction Works	155.18	288.00
2. EM Works	0.62	100.00
3. Foundation Works	0.00	288.00

For the calendar year ended 31 December 2007

	Actual	Cap amount
1. Building and Construction Works	47.29	240.00
2. EM works	5.80	84.00
3. Foundation Works	0.00	240.00

For the calendar year ended 31 December 2006

	Actual	Cap amount
1. Building and Construction Works	58.62	200.00
2. EM Works	0.87	70.00
3. Foundation Works	1.91	200.00

During the period from 1 January 2009 to 31 March 2009, there were no subcontracting works between the Parties. During the period from 1 April 2009 to the date hereof, the aggregate contract sums of subcontracting works between the Parties are HK\$0.74 million for Building and Construction Works, nil for EM Works and HK\$1.54 million for Foundation Works and the respective amounts for

LETTER FROM THE BOARD

each of the transactions concerned did not exceed the threshold under Rule 14A.33(3) of the Listing Rules and are therefore exempt from the reporting, announcement and shareholders' approval requirement of the Listing Rules. In view of the then sluggish market conditions in Hong Kong since the global financial crisis in 2008, the Directors felt no pressing needs during the interim period to enter into the Master Agreement. However, with the gradual recovery of the economy in Hong Kong during the second half of 2009, the Directors are more optimistic towards the recovery of the business and market conditions in Hong Kong and Macau, especially in the foundation, building and construction sectors and take the view that it would be in the interest of the Company and its shareholders as a whole for the Master Agreement to be entered into, and that when the opportunities should arise, the amounts of the Continuing Connected Transactions may well exceed that of the Previous Continuing Connected Transactions.

REASONS FOR AND BENEFITS OF THE MASTER AGREEMENT AND THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in foundation piling, building construction, electrical and mechanical engineering, machinery hiring and trading, property investment and property development.

The principal business of TF and TCM is the provision of foundation piling and related works. The principal business of TBC is the provision of building and construction works. TE is an investment holding company and the principal business of TEHK, a wholly-owned subsidiary of TE, is in the provision of electrical and mechanical works. Since projects to be granted to or undertaken by TF, TCM, TBC or TE (or their respective subsidiaries) may involve foundation works, building and construction works and electrical and mechanical works, the subcontracting of foundation works, building and construction works or electrical and mechanical works, as the case may be, by one company in the Group to the other specialized in such works would maximize the business activities and operations of the Group and would provide the Company with better competitive edge and control of the projects concerned. The joint efforts of the Parties would also provide to the clients concerned a more comprehensive and coordinated service in the common interest of the Parties and the Company.

Since such subcontracting transactions among the Parties or their respective subsidiaries, payments for which will be settled by cash payments or settlement through inter-company accounts, would continue on an ongoing basis, a Master Agreement was entered into among the Parties on 21 October 2009.

LISTING RULES IMPLICATIONS

Both TF and TCM are wholly-owned subsidiaries of the Company. TE is a non-wholly owned subsidiary of the Company while TBC is an associated company of the Company. TBC is owned as to 49% by the Company and 51% by Victor Create. Victor Create is owned as to 60% by Mr. Victor Fung and 40% by Mr. Jackel Cheung who is a son of Mr. Francis Cheung. TE is owned as to 70% by

LETTER FROM THE BOARD

the Company, 22% by Mr. Wong and 8% by Mr. Victor Fung. As Mr. Francis Cheung, Mr. Victor Fung and Mr. Wong are Directors, Mr. Francis Cheung, Mr. Victor Fung, Mr. Wong, Mr. Jackel Cheung, TBC and TE are connected persons of the Company under Rule 14A.11 of the Listing Rules. Thus, the transactions contemplated under the Master Agreement involving the Parties, other than transactions between TF and TCM (both being wholly-owned subsidiaries of the Company) and their respective subsidiaries, constitute continuing connected transactions for the Company. In respect of the total amounts of the Continuing Connected Transactions, as it is anticipated that the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14A of the Listing Rules, on an annual basis, will not be less than 2.5% and the annual consideration is expected to exceed HK\$10,000,000, the Continuing Connected Transactions will constitute non-exempt continuing connected transactions for the Company under the Chapter 14A of the Listing Rules. The Continuing Connected Transactions will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules in relation to non-exempt continuing connected transactions.

In view of the above, the Company will seek the approval of the Independent Shareholders in relation to the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder. An ordinary resolution will be proposed at the SGM of the Company to be held for the Independent Shareholders to approve by way of poll the Master Agreement, the Continuing Connected Transactions and the Annual Caps contemplated thereunder. Mr. Francis Cheung, Mr. Victor Fung, Mr. Wong, Mr. Jackel Cheung and their respective associates will abstain from voting on the ordinary resolution to approve the Master Agreement and the Annual Caps.

The Annual Caps set out above have been determined by reference to (1) the terms of the Master Agreement; (2) the Group's turnover and the relevant divisions' turnover for the past three years; (3) the subcontracting between the Parties and/or their subsidiaries for the past three years; (4) the current, prospective and future projects of the Group taking into consideration the recovery of economy since the global financial crisis in 2008, and in particular in the foundation, building and construction sectors in Hong Kong and Macau; and (5) the growth rate in the turnover of the Group's projects estimated at approximately 10% per annum for the next few years.

The Directors consider that the Continuing Connected Transactions are and will be of the types that are entered into in the ordinary and usual course of business of the companies concerned within the Group and on a frequent and regular basis. Therefore, the Directors consider that it would be: (1) appropriate and in the interest of business efficacy to set out in the Master Agreement the principles governing such transactions; and (2) too costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules.

The Directors consider the terms of the Master Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

III. THE SGM

The SGM will be held at 2:00 p.m. on Thursday, 10 December 2009 at 11th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the ordinary resolution to approve the Master Agreement (including the Annual Caps) and Continuing Connected Transactions. The notice of the SGM is set out on page 33 of this circular. Mr. Francis Cheung, Mr. Victor Fung, Mr. Wong, Mr. Jackel Cheung and their respective associates will abstain from voting on the ordinary resolution to approve the Master Agreement and the Annual Caps.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon as soon as possible and, in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof to the Company's principal place of business in Hong Kong at 11th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

IV. RECOMMENDATION

Taking into consideration the above principal factors and reasons, we are of the view that the Continuing Connected Transactions will be negotiated and entered into in the ordinary and usual course of the business of the companies concerned and are in the interests of the Company and its Shareholders as a whole. We also consider that the terms of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder are fair and reasonable and are in the interests of the Shareholder's as a whole. Accordingly, the Directors (excluding the Independent Non-Executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Master Agreement (including the Annual Caps) and the Continuing Connected Transaction contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 of this circular which contains the advice and recommendation of the Independent Board Committee to the Independent Shareholders as to voting at the SGM regarding the approval of the Master Agreement (including the Annual Caps) and Continuing Connected Transactions contemplated thereunder by way of a poll at the SGM. Your attention is also drawn to the letter of advice received from the Independent Financial Adviser which contains, among other matters, its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Continuing Connected Transactions under the Master Agreement and the principal factors and reasons considered by it in concluding its advice. The letter from the Independent Financial Adviser is set out on pages 14 to 25 of this circular.

LETTER FROM THE BOARD

V. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular and the notice of the SGM.

Yours faithfully,
For and on behalf of the Board of
Tysan Holdings Limited
Francis Cheung
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 687)

9 November 2009

To the Independent Shareholders

Dear Sirs or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular to the Shareholders dated 9 November 2009 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letters shall have the same meanings as defined in the section headed “Definitions” of the Circular.

We have been appointed by the Board to consider the terms of the Master Agreement and to advise the Independent Shareholders in connection with the approval of the Master Agreement (including the Annual Caps) and Continuing Connected Transactions contemplated thereunder as to whether they are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter from the Board set out on pages 5 to 12 of the Circular and the letter of advice from the Independent Financial Adviser as set out on pages 14 to 25 of the Circular.

Having considered, among other matters, the principal factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice, we consider that the Master Agreement (including the Annual Caps) and Continuing Connected Transactions contemplated thereunder are on normal commercial terms, in the interest of the Company and the Independent Shareholders as a whole, and the terms under the Master Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder, particulars of which are set out in the notice convening the SGM set out on page 33 of the Circular, to be proposed at the SGM or any adjournment thereof.

Yours faithfully,
Independent Board Committee of
Tysan Holdings Limited
FAN Chor Ho, Paul **TSE Man Bun**
Director *Director*
LUNG Chee Ming George
Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser dated 9 November 2009 for incorporation in this circular:



CENTURION CORPORATE FINANCE LIMITED 盛百利財務顧問有限公司

7th Floor, Duke Wellington House
14 -24 Wellington Street
Central, Hong Kong

香港中環
威靈頓街14 - 24號
威靈頓公爵大廈7樓

Telephone : (852) 2525 2128
(852) 2525 6026
Facsimile : (852) 2537 7622

9 November 2009

*To the Independent Board Committee and the Independent Shareholders of
Tysan Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We have been engaged to advise the Independent Board Committee and the Independent Shareholders with respect to the terms and conditions of the Master Agreement (including the Annual Caps referred to therein, and the Continuing Connected Transactions contemplated thereunder) entered into by the Parties on 21 October 2009 to regulate the business relationship and continuing subcontracting transactions from time to time between these companies and their respective subsidiaries.

TBC and TE are non wholly-owned associated company and subsidiary of the Company respectively and for the reasons set out in the “Letter From The Board”. Both TBC and TE are connected persons of the Company under Rule 14A.11 of the Listing Rules. Thus, the transactions contemplated under the Master Agreement, other than transactions between TF and TCM (both being wholly-owned subsidiaries of the Company) and their respective subsidiaries, constitute non-exempt continuing connected transactions for the Company (“Continuing Connected Transactions”) under the Listing Rules.

Further details of the Continuing Connected Transactions are set out in the circular dated 9 November 2009 to the Shareholders (“Circular”) of which this letter forms a part. We have been appointed to give an opinion as to whether the terms and conditions of the Master Agreement (including the Annual Caps referred to therein, and the Continuing Connected Transactions contemplated thereunder) are fair and reasonable in so far as the Independent Shareholders are concerned, are on normal commercial terms, the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and in the interest of the Company and its Shareholders as a whole. Details of the Master Agreement (including the Annual Caps and the Continuing Connected Transactions contemplated thereunder) are contained in the “Letter From The Board” set out from pages 5 to 12 of the Circular. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representation contained in the Circular and other documents which have been provided to us by the Directors and/or the management of the Group and for which they take full responsibility. We have also assumed that all statements, information, opinions and representations made or referred to in the Circular were true and accurate at the time they were made and continued to be so at the date of this Circular. We have also assumed that all statements of belief, opinions and intention made by the Directors in the Circular are reasonably made after due and careful enquiry.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have been advised by the Directors that no material facts have been omitted from the information provided and/or referred to in the Circular. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information of the Group as contained in the Circular. We have not conducted any independent investigation into the businesses and affairs of the Group, nor have we independently verified any of the information supplied to us.

The transactions contemplated under the Master Agreement involving the Parties (other than transactions between TF and TCM) constitute continuing connected transactions under the Listing Rules. In this regard, your attention is drawn to the section headed “The SGM” set out in the “Letter From The Board” in respect of the fact that the Company will seek the approval of the Independent Shareholders in relation to the Master Agreement, the Continuing Connected Transactions and the Annual Caps contemplated thereunder. It is proposed that an ordinary resolution will be proposed at the SGM of the Company to be held for the Independent Shareholders to approve by way of poll the Master Agreement, the Continuing Connected Transactions and the Annual Caps contemplated thereunder. Mr. Francis Cheung, Mr. Victor Fung, Mr. Wong, Mr. Jackel Cheung and other shareholders of TBC and TE and their respective associates will abstain from voting on the ordinary resolution to approve the Master Agreement and the Annual Caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

BACKGROUND

Information on the Group, TF, TCM, TBC and TE

The Group is principally engaged in foundation piling, building construction, electrical and mechanical engineering, machinery hiring and trading, property investment and property development. TE is an investment holding company and the principal business of TEHK, a wholly-owned subsidiary of TE, is in the provision of EM works. The principal business of TBC is the provision of building and construction works. The principal business of TF and TCM is the provision of foundation piling and related works.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Both TF and TCM are wholly-owned subsidiaries of the Company. TBC and TE are non wholly-owned associated company and subsidiary of the Company respectively. TE is owned as to 70% by the Company, 22% by Mr. Wong and 8% by Mr. Victor Fung. TBC is owned as to 49% by the Company, 51% by Victor Create, which in turn is owned as to 60% by Mr. Victor Fung and as to 40% by Mr. Jackel Cheung, a son of Mr. Francis Cheung. As Mr. Francis Cheung, Mr. Victor Fung and Mr. Wong are Directors, Mr. Francis Cheung, Mr. Victor Fung, Mr. Wong, Mr. Jackel Cheung, TBC and TE are connected persons of the Company under Rule 14A.11 of the Listing Rules. Thus, the transactions contemplated under the Master Agreement involving the Parties, other than transactions between TF and TCM (both being wholly-owned subsidiaries of the Company) and their respective subsidiaries, constitute continuing connected transactions for the Company.

As set out in the “Letter From The Board”, since projects to be granted to or undertaken by the Parties (or their respective subsidiaries) may involve foundation works, building and construction works and EM works, the subcontracting of any of such works, as the case may be, by an Appointor to an Appointee specialized in such works would (i) maximize the business activities and operations of the Group and would provide the Group with better competitive edge and control of the projects; and (ii) the joint efforts of the Parties would also provide to the clients concerned a more comprehensive and coordinated service, which is in the common interest of the Parties and the Company. Consequently, the Master Agreement was entered into to regulate the Continuing Connected Transactions in compliance with the relevant provisions of the Listing Rules.

The following overview of the breakdown in turnover of the Group for the year ended 31 March 2009 by activity is extracted from the Company’s annual report dated 26 June 2009:-

	<i>(HK\$’000)</i>	<i>(in percentage)</i>
Foundation piling	1,346,515	48.37
E&M engineering and building construction	134,505	4.83
Machinery leasing and trading	15,954	0.57
Property investment and management	104,969	3.77
Property Development	<u>1,182,147</u>	<u>42.46</u>
	<u>2,784,090</u>	<u>100.00</u>

For the year ended 31 March 2009, segment results of the Group was approximately HK\$710.3 million profit, of which (i) approximately HK\$9.1 million profit was attributable to the electrical and mechanical engineering and building construction; and (ii) approximately HK\$172.7 million profit was attributable to foundation piling. As set out above, foundation piling accounted for approximately 48% of the Group’s turnover for the year ended 31 March 2009.

Turnover of the Group’s electrical and mechanical engineering and building construction business for each of the three years ended 31 March 2009 was approximately HK\$177 million, HK\$191 million and HK\$135 million respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total Group's turnover for each of the three years ended 31 March 2009 was approximately HK\$1,305 million, HK\$1,895 million and HK\$2,784 million respectively. As at 31 March 2009, the Group's audited total assets and total liabilities were approximately HK\$3,626 million and HK\$1,691 million respectively. For the year ended 31 March 2009, total audited net profit attributable to Shareholders amounted to approximately HK\$346.7 million, which translated into an earnings per Share of HK\$0.4137.

Previous Continuing Connected Transactions

During the three years ended 31 December 2008, the aggregate subcontracting works under the Continuing Connected Transactions and their respective Annual Caps were as follows:-

<i>For the calendar year ended 31 December 2008</i>	Actual <i>(HK\$' million)</i>	Cap amount <i>(HK\$' million)</i>
1. Building and Construction Works	155.18	288.00
2. EM Works	0.62	100.00
3. Foundation Works	0.00	288.00

<i>For the calendar year ended 31 December 2007</i>	Actual	Cap amount
1. Building and Construction Works	47.29	240.00
2. EM works	5.80	84.00
3. Foundation Works	0.00	240.00

<i>For the calendar year ended 31 December 2006</i>	Actual	Cap amount
1. Building and Construction Works	58.62	200.00
2. EM Works	0.87	70.00
3. Foundation Works	1.91	200.00

For the year ended 31 December 2008, the HK\$155.18 million building and construction works set out in the table above consisted of (i) subcontracting of aggregate building works of MOP151.35 million (approximately HK\$146.94 million) by TCM to Mac Tysan Construction (Macau) Limited, a wholly-owned subsidiary of TBC; (ii) subcontracting of aggregate building works of HK\$4.09 million by TF to TBC; and (iii) subcontracting of building works of HK\$4.15 million by TEHK to TBC. The HK\$0.62 million EM works represented subcontracted works by TBC to TEHK. As set out in the above table, there was nil subcontracting work in so far as foundation works were concerned.

For the year ended 31 December 2007, the HK\$47.29 million building and construction works set out in the table above consisted of subcontracting of aggregate building works of MOP48.71 million (approximately HK\$47.29 million) by TCM to Mac Tysan Construction (Macau) Limited. The HK\$5.8 million EM works represented aggregate subcontracting works by TBC to TEHK. As set out in the above table, there was nil subcontracting work in so far as foundation works were concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2006, the HK\$58.62 million building and construction works set out in the table above consisted of subcontracting of aggregate building works of MOP60.38 million (approximately HK\$58.62 million) by TCM to Mac Tysan Construction (Macau) Limited. The HK\$0.87 million EM works represented aggregate subcontracting works by TBC to TEHK. The HK\$1.91 million subcontracting of foundation works as set out in the above table represented subcontracting of piling works by TBC to TF.

We have reviewed substantially all the subcontracting documents (some of which in summarised term sheets form) for the last three years ended 31 December 2008 as set out in the above table. We have noted that in the majority of the cases, the subcontracting of works was conducted with little or no mark-down whatsoever. That is, the contract sums granted to say, an Appointor which is a wholly-owned subsidiary of the Company, would be subcontracted on a dollar-to-dollar and back-to-back basis, to the relevant Appointee which is a non wholly-owned associated company or subsidiary of the Company. Thus, the subcontracting of such works in these Previous Continuing Connected Transactions was not driven by any commission or handling fee.

In the minority of cases in which there were mark-downs, the difference between the contract sums granted and the mark-down pricing in the sub-contracted documents represented a small percentage of the contract sums, i.e. less than 10% only. In response to our enquiry about the reason for such mark-down, management of the Company explained that such mark-down was meant to recoup expenses incurred (e.g. posting of bonds, insurance etc.) in procuring the granting of the relevant master contract. Most of these Previous Continuing Connected Transactions involved TBC sub-contracting works to an Appointee which is a wholly-owned subsidiary of the Company.

THE MASTER AGREEMENT AND THE CONTINUING CONNECTED TRANSACTIONS

Principal terms of the Master Agreement

As set out in the “Letter From The Board”, over the next three years ending 31 March 2012, if and when any Party or any of its subsidiaries shall have been awarded or appointed with a contract for works (the “Appointor”) for which it may deem appropriate to subcontract the whole or any part or parts of such works to another Party or Parties or any of its/their subsidiaries (in each case, the “Appointee”), the Appointor may from time to time in the ordinary and usual course of its business subcontract the whole or any part of such works to the Appointee, subject to the Annual Caps, in the Prescribed Manner by entering into separate and definite agreements provided that the detailed terms of each such transaction shall be in accordance with the principles set out in the Master Agreement. Such detailed terms shall be on normal commercial basis and on terms no less favourable to the Group than those available to or from, as the case may be, to independent third parties, and the pricing thereof shall be no less favourable than the prevailing market rate, and provided further that such terms shall be fair and reasonable and in the interest of the Shareholders as a whole. For the avoidance of doubt, depending on the circumstances, a Party may be the Appointor on one occasion of subcontracting and the Appointee on another occasion and so on. The Master Agreement is to regulate the Continuing Connected Transactions, dealing with each of these types of proposed transactions in turn are set out in the sections below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the bases and analyses set out below, we are of the view that the abovementioned principal terms of the Master Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Foundation works

The historical trend of the Group's turnover in this sector and the needs to remain competitive are set out above in the section headed "*Information on the Group, TF, TCM, TBC and TE*". Industry-wide consolidation has benefited the larger players, the likes of which include TF and TCM as the Group has enjoyed an established leadership position in the foundation sector in Hong Kong. TCM is specifically formed in July 2004 to capitalise on the considerable foundation work opportunities in Macau. The entry into the Macau market was described in the Company's interim report dated 8 December 2005 as successful, having benefited from a "first mover" advantage.

For the year ended 31 March 2009, despite the global financial crisis and the resulting downturn for the local economy, as set out in its 2008/09 annual report, the Group's foundation division achieved a turnover of HK\$1,347 million and a net contribution of HK\$173 million, an increase of 25% and 87% respectively as compared to last year. Majority of the Group's contracts were from the private sector.

We have reviewed the audited accounts of TCM for the three years ended 31 December 2008. On the bases of our findings, which include the considerable turnover and net profit of TCM for the last three years, the relatively short start-up period since TCM's formation in mid-2004, the Group's entry into the Macau's foundation market has been successful thus far.

We have also reviewed the audited accounts of TF for the three years ended 31 March 2009, which show TF's foundation operation has turned around with improved profitability since 2007. Having discussed these improved earnings with the Company, and to build on the Group's position in the foundation sector, we concur with the management that the Group needs to continue to enhance its leading position in the local foundation industry by becoming more efficient and competitive. The ability for the Group to service its clients beyond the foundation piling business with the subcontracting of works by an Appointor to an Appointee under the Master Agreement is an important competitive advantage to the Group's overall market positioning in the construction industry.

We have noted the zero subcontracting of foundation works over the two years ended 31 December 2008 under the 2006 Master Agreement. We understand from the management of the Company that given the established leadership position of the Group in the foundation sector, it was more likely that other works such as building construction and EM works were granted to the Group by existing customers who were satisfied with the Group's foundation work. This explains why there was no such sub-contracting of foundation works by each of TBC and TE to other Appointee(s) for the calendar years ended 31 December 2007 and 2008 respectively, as neither TBC nor TE had been granted any foundation work. However, management of the Company did emphasize that going forward, should foundation works be required to be sub-contracted under the Continuing Connected Transactions, it is likely to be of considerable amount in contract sums.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Building construction and EM works

The historical trend of the Group's turnover in these sectors and other relevant details are also set out above in the section headed "*Information on the Group, TF, TCM, TBC and TE*". Over the next three years ending 31 March 2012, if and when projects to be granted to or undertaken by TF or TCM (or their respective subsidiaries) involve building construction works and EM works, the subcontracting of any of such works, as the case may be, to either TBC or TE (or their respective subsidiaries) will become possible under the Master Agreement. Over the three years ended 31 December 2008, TCM had been sub-contracting building and construction works to Mac Tysan Construction (Macau) Limited, a wholly-owned subsidiary of TBC. As set out above, such sub-contracted works were as a result of foundation works successfully undertaken in Macau where TCM has had an established working relationship with the local clients concerned.

Insofar as EM works are concerned and over the last three years ended 31 December 2008, TBC has been subcontracting EM works to TEHK. Neither TBC nor TE had subcontracted any foundation works to TF (or TCM) during such period. We understand that past projects were more likely be granted to the Group on a standalone basis that is, either foundation piling or building and EM works. Going forward, the Group expects projects to be granted to TF or TCM or TBC or TE may combine foundation, building and EM works. Further, each of TBC or TE has over the years, built up its track records and experience in buildings and EM works respectively, the result of which also facilitates the expected subcontracting of works to TBC or TE.

Given the increasingly competitive market conditions both in Hong Kong and Macau, resulting in possibly more industry-wide consolidation, the Board also believes it cannot afford not to cater to possible subcontracting works by TF or TCM to TBC or TE in the future, as this would enable the Group to better maintain its market position as a large and diversified player.

In light of the above, we are of the opinion that the abovementioned benefits expected to be accrued to the Group, as a result of the entering into of the Master Agreement (including the Annual Caps), are important to the Group's overall competitiveness in a market which is marked by increasing competition and consolidation.

Other issues involved in subcontracting works

In addition to reviewing the audited accounts of TCM, TF, TBC, TE and TEHK, we have also discussed with the management of the Company about the commercial rationale for the subcontracting works. We understand that given the established position of the Group's foundation business, there is an increasing trend that developers who granted foundation works to the Group (e.g. to TCM or TF) would invite the Group to tender for other works such as building construction and EM works. We further understand that from a commercial perspective, the Company, being listed on the Stock Exchange, its consolidated financial statements and financial position are public information and such transparency bode well for the Group in its tendering of construction works, including building construction and EM works. Further, due to their established position in the foundation sector, TF and in particular, TCM, have a balance sheet of considerable size. These factors better able TF and TCM to compete in any construction works tendering process, including works related to building construction and EM works.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is also noteworthy that the primary concern of an Appointor contemplating subcontracting works to an Appointee is the resulting “bottom-line” effect of such subcontracting on its own profitability and how well such sub-contracting would enhance its own core competence in undertaking the relevant construction works that would not need to be sub-contracted out to an Appointee. Each of the Parties, which are operating subsidiaries (or associated company) of the Company, is run as an individual profit centre, has its own audited accounts, the profitability of which its management is ultimately responsible for.

The sub-contractings of building construction and EM works to TBC and TE respectively, whilst are driven by commercial, core competence and cost reasons, such arrangement is also in our view, a form of aligning the interests of the connected persons, whose identities are set out above and who apparently have considerable experience in the building construction and EM works, with that of the Company. Without such Continuing Connected Transactions and their respective equity interests in the relevant Appointees, these connected persons may be compelled to consider starting their own building construction and EM works business.

There are also obvious benefits to keep subcontracting works within members of the Group in so far as individual operating subsidiaries are concerned. Such benefits may include stage payments for subcontracted works rendered in a more timely manner and better communications between members of the Group, which would result in better and more efficient project management. Further, from a Group’s perspective, the ability to carry out the Continuing Connected Transactions will enable it to be viewed by its prospective clients as a “one-stop” solution provider, which in turn will better enhance the Group’s competitive edge and increase its operations and turnover.

In order to satisfy ourselves that the separate and definite agreements for the Continuing Connected Transactions under the Master Agreement will be on normal commercial basis and on terms no less favourable to the Group than those available to or from, as the case may be, independent third party, and the pricing thereof shall be no less favourable than the prevailing market rate, we have, as set out above, reviewed substantially all past subcontracting documents (some of which in summarized term sheets) involving the Previous Continuing Connected Transactions for the three years ended 31 December 2008. Our findings are set out above in the section headed “*Previous Continuing Connected Transactions*”. Given that the majority of the cases, the subcontracting of works was conducted with little or no mark-down whatsoever, that is, the contract sums granted to say, a wholly-owned subsidiary of the Company, would be subcontracted on a dollar-to-dollar, to the relevant Appointee, the terms of subcontracting of works in these cases were inherently fair and reasonable and on normal commercial terms as such original terms were granted by clients following arms-length negotiations between the relevant Appointors and their respective clients.

In the minority of cases in which there were mark-downs (e.g. subcontracting of EM works by TBC), the difference between the contract sums granted and the mark-down pricing in the sub-contracted documents represented expenses incurred by the relevant Appointors in procuring the relevant master contract. We therefore are of the view that such different pricing was also fair and reasonable. It should be noted that the actual amount of such mark-downs, when viewed against the actual aggregate sums of the Previous Continuing Connected Transactions, is immaterial in either amount or percentage.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Whilst the Master Agreement provides generally that the Continuing Connected Transactions will be on normal commercial basis as subcontracting works in the future will still need to be effected by the entering into of separate agreements, we are of the view that the principal terms of the Master Agreement will be adhered to given our findings and bases as set out above. The review procedures under Rules 14A.37 to 14A.38 of the Listing Rules will provide further checks and balances that the principal terms of the Master Agreement have indeed been complied with.

In view of the aforesaid, we also concur with the Board's view that the ability to carry out the Continuing Connected Transactions by the Parties (or their respective subsidiaries) would maximize the business activities and operations of the Group and would provide it with better competitive edge and control of the subject projects, which should result in the Group providing a more comprehensive and coordinated service to its clients.

Bases of the Annual Caps

For each category of works concerned as specified herein below, the maximum aggregate value of the contract sum in respect of works to be subcontracted by any Party to any other Party on any occasion of subcontracting (excluding transactions between TF and TCM (both being wholly-owned subsidiaries of the Company) and their respective subsidiaries) for each of the financial years concerned shall not exceed the amounts set out below (for the avoidance of doubt, it should be noted that depending on the circumstances, a Party may on certain occasions be the subcontracting party while on other occasions the party receiving the subcontracts and vice versa and therefore the Annual Caps include all such transactions):

	Financial Year Ending		
	31 Mar. 2010	31 Mar. 2011	31 Mar. 2012
Foundation works	HK\$180 million	HK\$198 million	HK\$218 million
Building and construction works	HK\$180 million	HK\$198 million	HK\$218 million
EM works	HK\$70 million	HK\$77 million	HK\$85 million

These Annual Caps have been determined by reference to (1) the terms of the Master Agreement; (2) the Group's turnover and the relevant divisions' turnover for the past three years; (3) the subcontracting between the Parties and/or their subsidiaries for the past three years; (4) the current, prospective and future projects of the Group taking into consideration the recovery of economy since the global financial crisis in 2008, and in particular in the foundation, building and construction sectors in Hong Kong and Macau; and (5) the growth rate in the turnover of the Group's projects estimated at approximately 10% per annum for the next few years. Dealing with some of these elements in turn are as follows.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the past three years ended 31 December 2008, subcontracting works involving mainly building construction and EM works are set out in the section headed “*Previous continuing connected transactions*”. The Group’s turnover and turnovers for its foundation, building construction and electrical and mechanical engineering businesses are also set out in the section above headed “*Information on the Group, TF, TCM, TBC and TE*”.

In so far as the Board’s view on the recovery in the economy and in particular, in the foundation, building and construction sectors in Hong Kong are concerned, according to Table 4 of the Report On The Quarterly Survey Of Construction Output (2nd Quarter 2009) published by the Census and Statistics Department of the Hong Kong Special Administrative Region Government:

- Gross value of piling and related foundation work in nominal terms performed by main contractors at construction sites for the each of the past five quarters ended Q2 (2008), Q3 (2008), Q4 (2008), Q1 (2009) and Q2 (2009) was HK\$1,110 million, HK\$1,152 million, HK\$1,695 million, HK\$1,541 million and HK\$1,382 million respectively. Such information shows a general rising trend for the foundation works sector in Hong Kong.
- Gross value of site formation and clearance work in nominal terms performed by main contractors at construction sites for the each of the past five quarters ended Q2 (2008), Q3 (2008), Q4 (2008), Q1 (2009) and Q2 (2009) was HK\$48 million, HK\$92 million, HK\$156 million, HK\$108 million and HK\$150 million respectively. Such information would suggest a general rising trend for the construction works to follow after completion of site formation.

In so far as the Macau’s construction market is concerned, according to the latest 2008 Construction Statistics published by the Statistics and Census Service of the Government of Macau Special Administrative Region, the number of building projects approved in each of the three years ended 31 December 2006, 2007 and 2008 was 87, 93 and 57 respectively. Total gross area as represented by these building projects was 1,468,259 sq. m., 2,431,370 sq. m., and 1,093,303 sq. m. respectively. No updated statistics for 2009 is available. The 2008 statistics, we believe, have been adversely and materially affected by the global recession and financial crisis triggered by the sub-prime mortgages in the U.S. and the collapse and near-collapse of a number of U.S.-based financial institutions. The global economy has since stabilised and it is generally expected that a recovery will follow.

Based on the above information, we are of the view that the general outlook and future prospects for the foundation, building and construction sectors in Hong Kong and Macau in which the Group competes are positive and support the view of the Board on the future business prospects.

The growth rate of 10% per annum used in the Group’s estimation for its requirements under the Annual Caps is also, in our view, reasonable, taking into consideration the factors considered by the Board such as the recovery of economy, and in particular in the foundation, building and construction sectors in Hong Kong and Macau and the Group’s turnover in such sectors over the last three years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having discussed the bases for the Annual Caps with the Directors and the ranges of project sizes which they reasonably expect to encounter, we understand from the Directors that whilst some of the Annual Caps amounts may appear to be sizeable, based on the Group's knowledge and experience of the industry, it is not uncommon for other construction companies in the industry whose sizes are similar to that of the Group to have contract sums which would be of a considerable amount for a particular transaction involving either (i) foundation works; (ii) building and construction works; or (iii) EM works, the result of which could utilize a sizable portion of the relevant Annual Caps.

As such, in the context of construction projects and the possibility of large face value of any one of those large subcontracting works which might be granted or undertaken in a single transaction by TF, TCM, TBC or TE (or any of their respective subsidiaries), we are of the opinion that the amounts as represented by the Annual Caps with residual buffer as the case may be, as set out in the "Letter From the Board" to make sure that they would be sufficient for possible large contract sums, are arrived at by the Directors after careful consideration. In view of the aforesaid, we find the bases for the Annual Caps per annum to be reasonable.

Reasons for and benefits of the Master Agreement and the Continuing Connected Transactions

It is important to note that some of the Group's competitors are not restricted by the same Listing Rules provisions for "continuing connected transactions" as they are either privately-owned entities (which are not subject to the requirements of the Listing Rules) or for those which are publicly listed on the Stock Exchange, similar approval may have already been sought from their respective shareholders.

As set out above, the Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company under the Listing Rules and in the absence of the Master Agreement, the Group will not be permitted to engage in the Continuing Connected Transactions. The Directors also consider that the Continuing Connected Transactions are and will be of the types that are entered into in the ordinary and usual course of business of the companies concerned within the Group and on a frequent and regular basis. Therefore, the Directors consider that it would be: (1) appropriate and in the interest of business efficacy to set out in the Master Agreement the principles governing such transactions; and (2) too costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules.

In view of the recurring nature of the Group's subcontracting activities in the construction industry, which is not restricted to members of the Group only, and the highly competitive environment of each of the construction sectors in which the Group competes, namely foundation piling, building and construction works and EM works, we are in concurrence with the Board in so far as its reasons for, and benefits of, entering into the Master Agreement are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider the terms of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder are on normal commercial basis, are in the ordinary and usual course of business of the Group and are or shall be fair and reasonable so far as the Group and the Independent Shareholders are concerned and are in the interest of the Group and the Independent Shareholders as a whole. We therefore, advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder at the SGM.

Yours faithfully,
for and on behalf of
Centurion Corporate Finance Limited
Baldwin LEE
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(a) Interests and short positions of the Directors and chief executives in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company, including their respective associates in the equity or equity securities of the Company or its associated corporations (within the meanings of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies had been notified to the Company and the Stock Exchange were as follows:

(i) *Interests in Shares:*

Name	Number of Shares and nature of interest			
	Personal interests	Corporate interests	Other interests	Total interests
Mr. Francis Cheung	27,407,865	256,325,000 ⁽¹⁾	54,247,200 ⁽²⁾	337,980,065
Mr. Fung Chiu Chak, Victor	66,867,600	—	—	66,867,600
Mr. David Chien	99,521,020	—	—	99,521,020
Miss Jennifer Kwok	16,500,000	—	—	16,500,000
Mr. Chiu Chin Hung	5,000,000	—	—	5,000,000
Mr. Wong Kay	10,765,000	—	—	10,765,000
Mr. Tse Man Bun	442,000	—	—	442,000

(ii) *Interests in share options granted by the Company:*

Name	Capacity	Date of grant	Exercise		Number of share options outstanding as at the Latest Practicable Date	Percentage to issued share capital (%)
			price (HK\$)	Exercise period		
Mr. Cheung Francis	Beneficial owner	27 September 2007	0.82	27 September 2007 to 23 August 2010	8,000,000	0.95
Mr. Fung Chiu Chak Victor	Beneficial owner	27 September 2007	0.82	27 September 2007 to 23 August 2010	8,000,000	0.95
Mr. David Chien	Beneficial owner	24 August 2007	0.82	5 September 2007 to 23 August 2010	1,500,000	0.18
Miss Jennifer Kwok	Beneficial owner	24 August 2007	0.82	5 September 2007 to 23 August 2010	3,500,000	0.42
Mr. Chiu Chin Hung	Beneficial owner	24 August 2007	0.82	6 September 2007 to 23 August 2010	2,500,000	0.30
Mr. Wong Kay	Beneficial owner	24 August 2007	0.82	5 September 2007 to 23 August 2010	5,000,000	0.60

(iii) *Interests in ordinary shares of associated corporations of the Company:*

Name	Number of ordinary shares and nature of interest			
	Name of associated corporations	Personal interests	Corporate interests	Total interests
Mr. Fung Chiu Chak, Victor	Tysan Building Construction Company Limited	—	5,202,000 ⁽³⁾	5,202,000
	Tysan Engineering Company Limited	800	—	800
	Tysan Trading Company Limited	20	—	20
Miss Jennifer Kwok	Tysan Trading Company Limited	20	—	20
Mr. Wong Kay	Tysan Engineering Company Limited	2,200	—	2,200

Notes:

- (1) 171,237,000 Shares were held by Power Link Investments Limited and 85,088,000 Shares were held by Long Billion International Limited. Both of these companies were controlled by Mr. Francis Cheung.

- (2) Such Shares were held by a discretionary trust, the founder of which is Mr. Francis Cheung.
- (3) These Shares were held by Victor Create Limited which was owned as to 60% by Mr. Fung Chiu Chak, Victor and as to 40% by Mr. Jackel Cheung.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Interest in Shares

Name	Number of shares held	Percentage of the issued share capital
Power Link Investments Limited ⁽¹⁾	171,237,000	20.4
Eastern Glory Development Limited ⁽²⁾	256,325,000	30.5
Goldcrest Enterprises Limited ⁽²⁾	256,325,000	30.5
Bofield Holdings Limited ⁽²⁾	256,325,000	30.5
Long Billion International Limited ⁽¹⁾	85,088,000	10.1

Notes:

- (1) The above interests of Power Link Investments Limited and Long Billion International Limited have also been disclosed as corporate interests of Mr. Francis Cheung in the section headed "Interests and short positions of the Directors and chief executives in the Company and its associated corporations" above.

- (2) These parties were deemed to have interests in the 256,325,000 shares by virtue of their equity interests in Power Link Investments Limited and Long Billion International Limited.

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

4. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

On 29 July 2009, Tysan Construction Company Limited ("Tysan Construction") entered into an agreement with Victor Create whereby Tysan Construction agreed to sell and transfer to Victor Create 102,000 shares of HK\$1.00 each in the issued share capital of TBC at the consideration of HK\$510,000 and also to assign to Victor Create part of an indebtedness in the sum of HK\$50,000 due and repayable by TBC to Tysan Construction on a dollar-to-dollar basis. Particulars of this transaction were included in the announcement of the Company dated 29 July 2009.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group, and none of the Directors is interested in any assets which have been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Group since the date of the latest published accounts of the Company.

Save as disclosed herein, as at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

5. LITIGATION

On 16 June 2008, China Garden, a 60% subsidiary of the Company, commenced legal proceedings in the Shanghai Court against Zhou for, inter alia, a declaration that the Incentive Agreement be set aside on the ground that, inter alia, the Incentive Agreement was concluded as a result of significant misconception between the parties and was obviously unfair to China Garden. On 10 September 2008, by the Claim, Zhou claims against China Garden for the sum of RMB 5,180,000

(together with interest and costs) under the Incentive Agreement. On 28 October 2008, China Garden took out an Inter Partes Summons in the Hong Kong Court applying for an order that all further proceedings in the Hong Kong Action be stayed in favour of the Shanghai Court on the ground, inter alia, that the Shanghai Court is a more appropriate forum than the Hong Kong Court for the adjudication of the dispute in the Hong Kong Action. The said Inter Partes Summons was due to be heard by the Hong Kong Court on 4 December 2009. In the event that at the hearing of the said Inter Partes Summons taken out by China Garden, an Order is made to the effect that the Hong Kong Action be stayed in favour of the Shanghai Court, the legal proceedings taken out by Zhou under the Hong Kong Action will not proceed further. However, if the Hong Kong Court orders otherwise, then, subject to the directions of the Hong Kong Court, the legal proceedings under the Hong Kong Action may continue to proceed. On the other hand, the Shanghai Court has accepted jurisdiction for the adjudication of the disputes of the matters concerned and the legal proceedings in the Shanghai Court between China Garden and Zhou, including the claim by China Garden aforesaid and the counterclaim by Zhou, will proceed further until the adjudication of the Shanghai Court. In view of the amount of the Claim, the Company is of the view that there should not be any material adverse impact on the financial position of the Group as a whole irrespective of the outcome of the adjudication of the Hong Kong Court or the Shanghai Court.

Save as aforesaid, at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2009, the date to which the latest published audited accounts of the Group were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the Independent Financial Adviser who has given advice or opinion in this circular or contained in this circular:

Name	Qualifications
Centurion Corporate Finance Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities as defined in the SFO

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

8. PROCEDURE TO DEMANDING A POLL

Pursuant to Bye-law 66 of the Bye-laws of the Company, at any general meeting a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or by proxy and for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save as for Mr. Francis Cheung, Mr. Victor Fung, Mr. Wong, Mr. Jackel Cheung and their respective associates, and other shareholders of TBC and TE and their respective associates, none of the Shareholders or other connected persons of the Company has any material interest in the Master Agreement and accordingly none of them will be required to abstain from voting at the SGM.

Pursuant to the amended Rule 13.39 of the Listing Rules which has become effective from 1 January 2009, any votes of the Shareholders at a general meeting must be taken by poll. Therefore, the chairman of the SGM will demand a poll for every resolution put forward at the SGM pursuant to Bye-law 66 of the Company's Bye-laws.

The Company will appoint scrutineers to handle the vote-taking procedures at the SGM. The results of the poll will be published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company's website at <http://www.tysan.com> on the business day next following the SGM.

9. GENERAL

- (a) The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 11th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.
- (c) The qualified accountant of the Company is Miss Mo Wai Ling. She is a member of The Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants.

- (d) The Company Secretary of the Company is Miss Wong Suk Han, Kitty. She is a Solicitor qualified to practice in Hong Kong and a member of The Law Society of Hong Kong.
- (e) The branch share register of the Company in Hong Kong is Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the normal business hours from 9:00 a.m. to 5:30 p.m. (save for Saturday and public holidays) at the head office and principal place of business of the Company in Hong Kong at 11th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 10 December 2009 (except public holidays):

- (a) the memorandum and articles of associates of the Company;
- (b) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 14 to 25 of this circular;
- (c) the written consent from the Independent Financial Adviser referred to in paragraph 7 of this appendix;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (e) the 2006 Master Agreement and the Master Agreement; and
- (f) this circular.

NOTICE OF SGM



TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 687)

NOTICE IS HEREBY GIVEN THAT a special general meeting of Tysan Holdings Limited (the “Company”) will be held at 11th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong at 2:00 p.m. on Thursday, 10 December 2009 for the purpose of considering, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:-**

- (1) the Master Agreement dated 21 October 2009 entered into by the following subsidiaries or associated companies of the Company, namely Tysan Foundation Limited, Tysan Construction (Macau) Limited, Tysan Building Construction Company Limited and Tysan Engineering Company Limited (the “Master Agreement”) to set out the principles regulating the business relationship between the aforesaid companies from time to time during the term set out therein (the “Term”), with a view to maximizing the business activities and operations of the Company and its subsidiaries and associated companies (a copy of which marked “A” has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification), and the terms and conditions therein, including without limitation the Term (which shall take retrospective effect from 1 April 2009 for a term of 36 calendar months expiring on 31 March 2012, both days inclusive), the Annual Caps (as defined in the Master Agreement) and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed;
- (2) any one of the Directors be and is hereby authorized to sign, seal, deliver, execute and perfect for and on behalf of the Company by his/her hand and/or under the seal of the Company the Master Agreement and all other documents and deeds in relation thereto or in connection therewith, and to do or cause to be done all such acts, matters and things which he/she may in his/her discretion consider necessary, desirable or expedient, to carry into effect the Master Agreement and the transactions contemplated thereunder and all other documents, deeds and matters in relation thereto or in connection therewith, and to make, agree to or cause to be incorporated such revisions and variations of a non-material nature

NOTICE OF SGM

in or to the terms of the Master Agreement as he/she may in his/her discretion consider to be desirable and in the interests of the Company as a whole, and that all acts of the Directors or any of them in respect of or arising from the above be and are hereby ratified.”

By order of the Board
TYSAN HOLDINGS LIMITED
Francis Cheung
Chairman

Hong Kong, 9 November 2009

*Head office and principal place
of business in Hong Kong:*
11th Floor, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Notes:

1. Any member (other than a Clearing House (as hereinafter defined)) entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. A recognised clearing house within the meaning of Part 1 of Schedule 1 to the SFO (the “Clearing House”), being a member of the Company, may authorise such person or persons as it thinks fit to act as its representative or representatives at the meeting provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorised.
3. To be valid, the proxy form, together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited with the Company’s principal place of business in Hong Kong at 11th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the accompanying proxy form will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.
5. The ordinary resolution as set out above will be determined by way of a poll.
6. Mr. Francis Cheung, Mr. Fung Chiu Chak, Victor, Mr. Wong Kay, Mr. Harvey Jackel Cheung and other shareholders of TBC and TE and their respective associates will abstain from voting on the above ordinary resolution at the meeting.