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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 a licensed securities dealer or registered institution in securities, a 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 to the purchaser or transferee or to a licensed securities dealer or registered institution in securities 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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 40% OF THE ISSUED SHARES IN TYSAN FOUNDATION (HONG KONG) LIMITED

AND

NOTICE OF SGM

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

ANGLO CHINESE 英
CORPORATE FINANCE, LIMITED 高

A letter from the Board is set out on pages 6 to 19 of this circular and a letter from the Independent Board Committee is set out on pages 20 to 21 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 22 to 41 of this circular.

A notice convening a special general meeting of Tysan Holdings Limited to be held at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong at 10:00 a.m. on Tuesday, 7 June 2016 is set out on pages SGM-1 to SGM-2 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 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting.

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.

23 May 2016

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DEFINITIONS

In this circular, unless the context indicates or specifies otherwise, the following specific terms and expressions have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)” and/or “close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“CCBI”	CCB International Capital Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, one of the joint financial advisers to HNA Finance I
“Closing Date”	the date to be stated in the Composite Document as the first closing date of the Offer
“Company”	Tysan Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board (Stock Code: 687)
“Composite Document”	the composite offer and response document proposed to be issued jointly by HNA Finance I and the Company to the Shareholders in accordance with the Takeovers Code in relation to the Offer
“Concert Parties”	in relation to HNA Finance I, persons acting in concert with HNA Finance I
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate of the Phase 1 Consideration and the Phase 2 Consideration
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Fortunate Pool”	Fortunate Pool Limited (祥澤有限公司), a company incorporated in Hong Kong with limited liability which is wholly-owned by Mr. Fung

DEFINITIONS

“Foundation Sale Shares”	in aggregate, the Phase 1 Foundation Sale Shares and the Phase 2 Foundation Sale Shares, representing in aggregate 40% of the issued TFHK Shares
“Foundation SPA”	the sale and purchase agreement dated 19 April 2016 entered into between the Company, Fortunate Pool and Mr. Fung in relation to the sale by Fortunate Pool and purchase by the Company of the Foundation Sale Shares
“Foundation Transaction”	the sale and purchase of the Foundation Sale Shares pursuant and subject to the terms and conditions of the Foundation SPA
“Fung’s Service Agreement”	the service agreement in relation to the appointment of Mr. Fung as the chief executive officer of the Company, and an executive Director and a director of TFHK to be entered into among the Company, TFHK and Mr. Fung on Phase 1 Completion
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HNA Finance I”	HNA Finance I Co., Ltd., a company incorporated in Anguilla with limited liability and a wholly-owned subsidiary of HNA Group Co., Ltd.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established pursuant to the Listing Rules to give recommendations to the Independent Shareholders in respect of the Foundation Transaction comprising all the independent non-executive Directors, namely Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee
“Independent Financial Adviser”	Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Foundation SPA and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who have a material interest in the Foundation Transaction (within the meaning of the Listing Rules) or who are otherwise required to abstain from voting at the SGM under the Listing Rules

DEFINITIONS

“Joint Announcement”	the announcement dated 19 April 2016 published jointly by HNA Finance I and the Company in relation to, among other things, the Offer and the Foundation Transaction
“Latest Practicable Date”	19 May 2016, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the options market) and which continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange
“Management Incentive Scheme”	the management incentive and retention plan adopted by the Company in the year ended 31 March 2015, as stated in its annual report, in favour of its executive Directors and the Group’s senior management, for payments to participants calculated by reference to dividends declared by the Company and the value of the Company as determined at the time of change of control of the Company
“Mr. Fung”	Mr. Fung Chiu Chak, Victor, the vice chairman, managing director and an executive Director of the Company
“Notice of SGM”	the notice to Shareholders set out in this circular regarding the convening of the SGM and setting out therein the Proposed Resolutions
“Offer”	the possible mandatory unconditional cash offer to be made by CCBI on behalf of HNA Finance I to acquire all the Shares not already owned by HNA Finance I and its Concert Parties
“Phase 1 Completion”	the completion of the sale and purchase of the Phase 1 Foundation Sale Shares under the Foundation SPA
“Phase 1 Consideration”	HK\$732,191,600, being the consideration payable by the Company for the Phase 1 Foundation Sale Shares
“Phase 1 Foundation Sale Shares”	35 TFHK Shares, representing 35% of the issued shares of TFHK
“Phase 2 Completion”	the completion of the sale and purchase of the Phase 2 Foundation Sale Shares under the Foundation SPA

DEFINITIONS

“Phase 2 Consideration”	HK\$104,598,800, being the consideration payable by the Company for the Phase 2 Foundation Sale Shares
“Phase 2 Foundation Sale Shares”	5 TFHK Shares, representing 5% of the issued shares of TFHK
“PRC”	the People’s Republic of China, which expression, solely for the purpose of construing this circular, except where the context requires, does not include Hong Kong, Macau or Taiwan
“Proposed Resolutions”	the proposed ordinary resolutions of the Shareholders, as set out in the Notice of SGM, to approve, among other things, the Foundation Transaction
“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 and held by the Company to consider and, if thought fit, to approve (among other matters) the Foundation SPA and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of Share(s)
“Shares”	ordinary shares of HK\$0.1 each in the share capital of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 17 January 2014 entered into among the Company, Fortunate Pool, Mr. Fung and TFHK in respect of their mutual agreement regarding the corporate governance of TFHK and the respective rights and obligations of the shareholders of TFHK
“Spin-off Application”	the application to spin off and separately list Tysan Foundation Holdings Limited, a subsidiary of the Company, on the Stock Exchange as announced by the Company on 8 January 2016
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“TFHK”	Tysan Foundation (Hong Kong) Limited, a private limited company incorporated in Hong Kong and a subsidiary of the Company owned as to 60% by the Company and as to 40% by Fortunate Pool as at the Latest Practicable Date

DEFINITIONS

“TFHK Group”	TFHK and its subsidiaries
“TFHK Shares”	the ordinary shares of TFHK
“Tides Holdings II”	Tides Holdings II Ltd., a company incorporated in the British Virgin Islands, the controlling Shareholder of the Company as at the Latest Practicable Date and the vendor of the Tides Sale Shares
“Tides Sale Shares”	577,279,496 Shares, representing approximately 66% of the issued Shares
“Tides SPA”	the sale and purchase agreement dated 19 April 2016 between HNA Finance I and Tides Holdings II in relation to the sale by Tides Holdings II and purchase by HNA Finance I of the Tides Sale Shares
“Tides Transaction”	the sale and purchase of the Tides Sale Shares pursuant to the terms of the Tides SPA
“%”	per cent

LETTER FROM THE BOARD



TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 687)

Executive Directors:

FUNG Chiu Chak, Victor
(Vice Chairman and Managing Director)
CHIU Chin Hung
LAU Kin Fai

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

WANG Tianbing *(Chairman)*
Stuart Morrison GRANT
Justin WAI
LAW Yiu Fat Richard

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

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

Independent non-executive Directors:

FAN Chor Ho
TSE Man Bun
LUNG Chee Ming, George
LI Kit Chee

23 May 2016

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
40% OF THE ISSUED SHARES IN
TYSAN FOUNDATION (HONG KONG) LIMITED**

AND

NOTICE OF SGM

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the Joint Announcement in which the Company and HNA Finance I jointly announced that (i) CCBI will, on behalf of HNA Finance I, subject to the completion of the Tides Transaction, make the Offer and (ii) the Company, Fortunate Pool and Mr. Fung had entered into the Foundation SPA, pursuant to which the Company had conditionally agreed to purchase and Fortunate Pool had conditionally agreed to sell, the Foundation Sale Shares, which represented 40% of the issued TFHK Shares as at the date of the Joint Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Foundation Transaction; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the Notice of the SGM.

THE FOUNDATION SPA

The principal terms of the Foundation SPA are as follows:

Date

19 April 2016

Parties Involved

Purchaser: The Company

Vendor: Fortunate Pool

Guarantor: Mr. Fung

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, Fortunate Pool is a company incorporated in Hong Kong, and is an investment holding company. Mr. Fung is the sole shareholder and sole director of Fortunate Pool, and has agreed to unconditionally and irrevocably guarantee the due and punctual performance and observance of Fortunate Pool's obligations, commitments and undertakings under the Foundation SPA or any other document referred to in it.

As at the Latest Practicable Date, TFHK was owned as to 60% by the Company, and the remaining 40% was held by Fortunate Pool. Therefore both Fortunate Pool, as a substantial shareholder of TFHK, and Mr. Fung as an executive Director are connected persons of the Company.

As at the Latest Practicable Date, neither Fortunate Pool nor Mr. Fung was a Shareholder.

LETTER FROM THE BOARD

Assets to be acquired

The Company has conditionally agreed to purchase and Fortunate Pool has conditionally agreed to sell, the Foundation Sale Shares, which represent 40% of the issued TFHK Shares as at the Latest Practicable Date. The parties to the Foundation SPA have agreed that the Company may designate one or more nominees (in addition to or as an alternative to itself), which nominees must be wholly-owned by the Company, to be the transferee(s) of the Foundation Sale Shares.

As at the Latest Practicable Date, TFHK was a non-wholly owned subsidiary of the Company. Immediately after Phase 1 Completion, the interest of the Company in TFHK will increase from 60% to 95% of TFHK and after Phase 2 Completion, TFHK will become a wholly-owned subsidiary of the Company.

Consideration

The aggregate consideration for the Foundation Sale Shares is HK\$836,790,400. The consideration was determined after arm's length negotiations among the parties to the Foundation SPA with reference to, among other things, the consolidated net profit after tax of the TFHK Group for the financial year ended 31 March 2015. The Consideration represents 8 times the net profit after tax of the TFHK Group attributable to the Foundation Sale Shares. The Directors noted that an 8 times price to earning ratio is slightly below the average, being 10.81 times of the price to earnings ratios, of certain other foundation companies listed on the Stock Exchange as at 31 March 2016, which range from 3.6 times to 23.9 times. The Consideration also represents a price to earnings ratio which is lower than the 14.30 times at which the Foundation Sale Shares were sold to Fortunate Pool in 2013. The Board did not take into account the net asset value of TFHK when negotiating the Consideration. The nature of the business of TFHK is unlike a property development company or an asset management company, where market norms would be to adopt the net asset value as the principal measure of the value of the company. For a company like TFHK which operates in the foundation industry, the Directors consider that the more appropriate assessment of value is in the profitability of the company, rather than how much assets it holds.

Payment of the consideration under the Foundation SPA shall be made in cash in the following manner:

- (1) HK\$549,143,700, being 75% of the Phase 1 Consideration, shall be paid by the Company to Fortunate Pool on Phase 1 Completion;
- (2) HK\$183,047,900, being 25% of the Phase 1 Consideration, shall be paid by the Company to Fortunate Pool within (a) 30 days from the Closing Date or (b) 58 days from the completion of the Tides Transaction, whichever is the earlier; and
- (3) HK\$104,598,800, being the entire Phase 2 Consideration, shall be paid by the Company to Fortunate Pool on Phase 2 Completion.

LETTER FROM THE BOARD

If the Company fails to pay the sum due under (2) above, it shall pay interest to Fortunate Pool at the rate of 1% per annum on the outstanding sum from the due date of payment to the date of actual payment and Fortunate Pool is not entitled to rescission in respect of the Phase 1 Foundation Sale Shares transferred at Phase 1 Completion.

The Company expects to fund the payment of the Consideration out of the Group's internal resources.

Conditions Precedent

The completion of the Foundation SPA is subject to the satisfaction or waiver (where applicable) of the following conditions:

- (i) completion of the Tides Transaction;
- (ii) the Company having obtained the approval of the Independent Shareholders in respect of the Foundation Transaction at the SGM or in respect of such other matters in accordance with the applicable requirements under the Listing Rules;
- (iii) no government action, court order or legal proceedings having been taken making the Foundation Transaction unlawful;
- (iv) the warranties given by the Company in the Foundation SPA remaining true and accurate in all material respects and not misleading in any material respects as of Phase 1 Completion or Phase 2 Completion, as the case may be; and
- (v) the warranties given by Fortunate Pool in the Foundation SPA remaining true and accurate in all material respects and not misleading in any material respects as of Phase 1 Completion or Phase 2 Completion, as the case may be.

The Company may waive, in whole or in part, the condition listed in (v) above and Fortunate Pool may waive the condition listed in (iv) above. The conditions set out in (ii) and (iii) above may not be waived by any party and the condition set out in (i) above can only be waived by agreement between the Company and Fortunate Pool.

If any of the above conditions precedent has not been fulfilled or, where applicable, waived on or before 30 September 2016 (or such later date as the parties to the Foundation SPA may agree in writing), then the Foundation SPA shall lapse and be of no further effect, save in respect of certain clauses relating to notices, confidentiality, costs and expenses, and other general provisions, and the parties shall have no claim against or liability or obligation to any other party, save in respect of antecedent breaches.

As at the Latest Practicable Date, none of the above conditions precedent of the Foundation SPA had been waived or fulfilled.

LETTER FROM THE BOARD

Completion of the Foundation SPA

Completion of the Foundation Transaction shall take place in two phases, as follows:

- (1) Phase 1 Completion shall take place on the date of completion of the Tides Transaction (or such other date as the parties to the Foundation SPA may agree in writing), when Fortunate Pool will sell and the Company (or its nominee(s)) will purchase, the Phase 1 Foundation Sale Shares free from all claims and encumbrances but together with all rights attached, accrued or accruing thereto as at the date of Phase 1 Completion, and together with all dividends and distributions declared made or paid or agreed to be made or paid thereon or in respect thereof on or after the date of Phase 1 Completion; and
- (2) Phase 2 Completion shall take place on a date within 12 months of the date of completion of the Tides Transaction, as mutually agreed by the parties to the Foundation SPA (or such other date as the parties to the Foundation SPA may agree in writing), when Fortunate Pool will sell and the Company (or its nominee(s)) will purchase, the Phase 2 Foundation Sale Shares free from all claims and encumbrances but together with all rights attached, accrued or accruing thereto as at the date of Phase 2 Completion, and together with all dividends and distributions declared made or paid or agreed to be made or paid thereon or in respect thereof on or after the date of Phase 2 Completion.

Other terms of the Foundation SPA

Under the Foundation SPA, the Company, Fortunate Pool and Mr. Fung will procure that, subject to the laws of Hong Kong, TFHK will declare a final dividend for the year ended 31 March 2016 to be paid to the shareholders of THFK on or before the date of completion of the Tides SPA. The dividend shall be equivalent to 50% of the difference between (a) the audited consolidated net profits of TFHK for the year ended 31 March 2016 and (b) the unaudited consolidated net profits of TFHK for the six-month period ended 30 September 2015. The factors to be taken into consideration in declaration of the dividend will be in line with the contractual provision in the Shareholders' Agreement, which includes (i) provisions for tax payable to relevant authorities and related expenses, (ii) requirements or restrictions by applicable law or financial institutions which provide financial facilities to the TFHK Group and (iii) financial conditions of the TFHK Group.

In terms of the financial conditions of TFHK, the items to be taken into account will include the current year profit, the retained profits for the year, cash in hand, the business prospects, capital expenditure requirements, and operating needs for the next financial year.

The retained profits for a financial year serve as a reference point for the amount of final dividend to be declared for that year, and any dividend declared will not exceed the retained profits.

LETTER FROM THE BOARD

At the time of declaration of dividends, the directors of TFHK also consider the levels of cash of TFHK and the expected capital expenditure requirements for the coming year (or remainder of the year, in the case of declaration of interim dividends), which may be based on capital expenditure plans and capital commitments of TFHK for the year, or by reference to past years' actual capital expenditures.

Taking into account these factors, the directors of TFHK declare a dividend which leaves sufficient cash in TFHK such that the ongoing operations of the business are not affected.

The expected amount and timing for the payment of the final dividend is dependent on when the audited consolidated net profits of TFHK for the year ended 31 March 2016 are available. As at the Latest Practicable Date, the audited figures of TFHK are not yet available. Based on information presently available to the Board, the Company expects that the 2016 final dividend for TFHK will be in the range of HK\$70,000,000 to HK\$80,000,000, of which 60% will be payable to the Company, and 40% will be payable to Fortunate Pool. The date of payment of this final dividend by TFHK is currently expected to be around the middle of June, and in any event prior to the date of completion of the Tides SPA.

The Company will be entitled to 60% of any dividends declared and paid by TFHK. Dividends from TFHK which are distributed to the Company contribute to the financial resources of the Company, and one of the purposes for declaration of the dividend is so that the Company's cash reserves will increase and be made available for use by the Company. One such use for the dividends distributed to the Company will be in the payment of interim and final dividends to the Shareholders.

In connection with the Foundation SPA, on Phase 1 Completion, Mr. Fung, the Company and TFHK will enter into the Fung's Service Agreement, further details of which are set out in the section headed "Directors' Service Agreements" in Appendix IV to this circular. The Fung's Service Agreement will be subject to the approval of the remuneration committee of the Company and the relevant requirements under the Listing Rules and the bye-laws of the Company.

Others

Payments under the Management Incentive Scheme

A term of the Management Incentive Scheme is that in the event there is a change in control of the Company, unvested rights in the Management Incentive Scheme will vest immediately and no further grants will be made but an aggregate payment will be made to participants in the Management Incentive Scheme equal to 4.5% of the value of the Company as determined at completion of the Tides Transaction. Completion of the Tides Transaction will trigger an aggregate payment of about HK\$197.98 million under the Management Incentive Scheme. Of this amount, Mr. Fung, Mr. Chiu Chin Hung and Mr. Lau Kin Fai, being executive Directors, will receive about HK\$98.99 million, HK\$29.7 million and HK\$29.7 million respectively and the remaining four members of senior management (who are not Directors) will receive payments ranging from about HK\$8 million to HK\$11.88 million. None of these seven participants of the Management Incentive Scheme is a Shareholder as at the Latest Practicable Date.

LETTER FROM THE BOARD

The payments under the Management Incentive Scheme will be financed by the Group's internal resources.

Information on the Group

The Company was incorporated in Bermuda on 6 February 1991 as an exempted company with limited liability. The Company became listed on the Main Board of the Stock Exchange on 26 March 1991, trading under the stock code 687.

The Group is principally engaged in foundation piling, property development and property investment and management.

Information on Fortunate Pool and Mr. Fung

Fortunate Pool is a company incorporated in Hong Kong, and is an investment holding company. Fortunate Pool is wholly-owned by Mr. Fung. As at the Latest Practicable Date, Fortunate Pool was interested in 40% of the issued TFHK Shares.

Both Fortunate Pool, as a substantial shareholder of TFHK, and Mr. Fung, as an executive Director, are connected persons of the Company.

Information on the TFHK Group

TFHK is a market leading foundation company in Hong Kong, principally engaged in a wide range of foundation and related works, including but not limited to bored piling, percussive H-piling, socket H-piling and mini-piling, excavation and lateral support works, pile cap, substructure and basement construction, footing works, site formation, ground investigation, landslip preventive and slope works and demolition, in public and/or private sectors.

Members of the TFHK Group are registered as specialists with the Buildings Department of the Government of Hong Kong, and are registered in certain categories on the list of Approved Suppliers of Materials and Specialist Contractors for Public Works, as kept by the Development Bureau of the Government of Hong Kong, which is responsible for land-use planning, buildings, urban renewal, construction and works and development-related heritage conservation.

Members of the TFHK Group are also approved by the Housing Authority and registered on its list of contractors in the categories of piling (large diameter bored piling and percussive piling), ground investigation works and demolition works.

As at the Latest Practicable Date, TFHK was held as to 60% by the Company. Fortunate Pool acquired the Foundation Sale Shares from the Company together with an associated shareholder's loan for a total cash consideration of HK\$157,000,000. Further details of this acquisition are set out in the circular of the Company dated 25 November 2013.

LETTER FROM THE BOARD

Financial information on the TFHK Group

Based on the accountants' report on the TFHK Group as set out in Appendix II to this circular, the net assets for the TFHK Group as at 31 March 2013, 2014 and 2015 and nine months ended 31 December 2015 were HK\$312,158,000, HK\$441,255,000, HK\$392,752,000 and HK\$134,124,000, respectively. The financial information of the TFHK Group for the three years ended 31 March 2013, 31 March 2014 and 31 March 2015 and for the nine months ended 31 December 2015, is as follows:

	Year ended 31 March			Nine months ended 31 December
	2013 <i>(audited)</i> HK\$'000	2014 <i>(audited)</i> HK\$'000	2015 <i>(audited)</i> HK\$'000	2015 <i>(audited)</i> HK\$'000
Net profits before tax	48,555	147,436	299,565	235,114
Net profits after tax	38,078	129,097	261,497	201,372

The TFHK Group's increase in profits in the past few years, has been mainly attributable to its success in tendering for foundation projects of a larger scale and of a higher contract sum, in particular for sizeable housing projects. In the past few years, among other projects, the TFHK Group was awarded two foundation projects in Macau (i.e. Wynn Cotai Resort and Galaxy Resort Phase 2 project) with an aggregate contract sum of over HK\$1,300 million and two projects in Hong Kong (i.e. the Tung Chung Area 39 Project and Cheung Sha Wan/East Harbour Crossing Project) with an aggregate contract sum of over HK\$1,400 million. For the year ended 31 March 2014, there were eight foundation works projects each with revenue contribution of more than HK\$100 million. For the year ended 31 March 2015, there were 16 projects each with revenue contribution of more than HK\$100 million. For the nine months ended 31 December 2015, there were nine projects each with revenue contribution of more than HK\$100 million.

The Directors are of the view that the profitability of the TFHK Group is sustainable, given that TFHK is one of the leaders in the foundation industry in Hong Kong and it is well positioned to maintain some form of market share and the number of projects in Hong Kong is expected to increase given the published commitment by the Government of Hong Kong to public housing and other infrastructure projects in the years to come.

Although TFHK has declared a significant amount of dividends in the years 2014 and 2015, which had an effect of reducing the asset size of TFHK, 60% of such dividends was paid to the Company.

TFHK is one of the foundation works companies in Hong Kong qualified for both public and private foundation works. To be qualified for carrying out public foundation works, TFHK is required to register with the Development Bureau and Housing Authority.

LETTER FROM THE BOARD

For the purposes of registration with the Development Bureau, TFHK is required, among other things, to meet the below financial criteria:

- a) have a minimum employed capital of HK\$9.3 million plus a minimum annual turnover of HK\$50 million in each of the immediate past three years; and
- b) have a minimum working capital of HK\$8.6 million or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors, whichever is higher.

For the purposes of registration with the Housing Authority, TFHK is required, among other things, to meet the below financial criteria:

- a) have a minimum employed capital of HK\$9.3 million or 10% of the total assets, whichever is higher; and
- b) have a minimum working capital of 10% of outstanding works.

Further, as at 31 December 2015, the TFHK Group had 18 projects on hand with a total contract sum in the amount of approximately HK\$3,947.4 million. From 1 January 2016 to 31 March 2016, the TFHK Group was awarded four projects with a total contract sum of approximately HK\$687.1 million. The expected completion dates for these projects range from June 2016 to February 2018.

Therefore, based on the above, the Directors are of the view that, notwithstanding the payment of dividends, TFHK has maintained sufficient resources with reference to its current requirements and currently foreseen business development plans.

Reasons for the Foundation Transaction

The Board considers that the Foundation Transaction will be beneficial to the Company for the following reasons:

- (1) *The construction industry in Hong Kong experienced substantial growth from 2010 to 2014 due to infrastructure projects in the public sector.*

The construction industry in Hong Kong experienced substantial growth from 2010 to 2014, with its revenue accounting for about 3.3% to 4.3% of the total gross domestic product. The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong increased sharply from around HK\$70.5 billion in 2010 to around HK\$155.2 billion in 2014, at a CAGR of about 21.8%. Construction projects in the public sector have been contributing more to the total industry revenue than those in the private sector because of the Public Housing Development Program and the Ten Major Infrastructure Projects.

LETTER FROM THE BOARD

The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong is expected to grow from about HK\$193.4 billion in 2015 to about HK\$448.6 billion in 2019, at a CAGR of about 23.4%. The expected growth is attributed to the Government of Hong Kong's determination to increase affordable public housing. In particular, it is expected that the Housing Authority will increase its production of public rental housing from about 9,900 units in 2014 to about 16,500 units in 2018, at a CAGR of about 13.6%.

(2) *As a part of the construction industry, the foundation industry in Hong Kong experienced growth from 2010 to 2014.*

The revenue of the foundation industry in Hong Kong grew significantly from about HK\$9.9 billion in 2010 to about HK\$19.4 billion in 2014, at a CAGR of about 18.5%. The growth was attributed to public infrastructure projects and policies to increase residential land supply and housing supply.

The revenue of the foundation industry is forecasted to increase at a CAGR of about 20.6% from 2015 to 2019, from about HK\$24.5 billion to about HK\$51.8 billion. The expected growth is attributed to the expected increase in the demand for residential and commercial buildings as well as public infrastructure projects. As the housing market continues to grow in view of continuous property investments and a growing population, it is expected that the Government of Hong Kong will continue to increase housing supply, thus increasing the demand for foundation works.

(3) *The foundation industry in Hong Kong is concentrated, with the top 10 foundation work contractors in Hong Kong taking up about 69.2% of the total industry revenue in 2014.*

In Hong Kong, TFHK was one of the top 5 contractors in the foundation industry in 2014. In this year, the top five foundation contractors contributed approximately HK\$9.6 billion to Hong Kong's foundation industry.

TFHK is a market leading foundation company and ranked as one of the top in the foundation industry, in terms of revenue, in Hong Kong. For three consecutive years from 2012 to 2014, TFHK accounted for about 10.8%, 11.2% and 15.4% of the total industry revenue. As at 31 December 2015, the TFHK Group had 18 projects on hand with a total contract sum in the amount of approximately HK\$3,947.4 million. From 1 January 2016 to 31 March 2016, the TFHK Group was awarded four projects with a total contract sum of approximately HK\$687.1 million. The expected completion dates for these projects range from June 2016 to February 2018.

Given the above, the Company was of the view that it is timely to consolidate its investment in the foundation industry. In the Spin-off Application, the Company was intending to distribute all its interest in the foundation business to the Shareholders, thereby enabling all Shareholders to have a direct interest in such business. However, given that a condition to the completion of the Tides Transaction is the withdrawal of the Spin-off Application and following the completion of the Tides Transaction, the Shareholders will also benefit from the same offer per Share, the Company has decided instead to purchase more shares in TFHK and eventually come to own 100% of TFHK. Given that the Group's business as a whole has had Mr. Fung at its helm, in connection with the Foundation SPA, Mr. Fung will enter into the Fung's Service Agreement and will remain as an executive Director

LETTER FROM THE BOARD

of the Company and a director of TFHK for a period of 18 months after Phase 1 Completion (or for such longer period as Mr. Fung and the Company may agree). Therefore the Group will continue to benefit from Mr. Fung's extensive experience and relationship network in the field of consulting engineering, construction management, foundation piling and property development.

The Directors (excluding members of the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee on pages 20 to 21 of this circular) are of the view that the terms of the Foundation SPA and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole. Given that Fortunate Pool is wholly-owned by Mr. Fung, Mr. Fung has a material interest in the Foundation SPA. At the Board meeting to approve the Foundation SPA, Mr. Fung abstained from voting on the Foundation SPA and his proposed service agreement and, for the purpose of avoiding a perception of a conflict of interest, Mr. Chiu Chin Hung, being the nominee of Fortunate Pool onto the board of directors of TFHK, also abstained from voting on the Foundation SPA.

Financial Impact of the Foundation Transaction on the Group

Immediately after completion of the Foundation Transaction, TFHK and its subsidiaries will be wholly-owned by the Company. The assets and liability and results of the TFHK Group will continue to be consolidated into the Company's consolidated financial statements. Set out in Appendix III to this circular is the unaudited pro forma financial information on the Group which illustrates the financial effects of the Foundation Transaction on the Group assuming the Foundation Transaction had been completed as at 30 September 2015.

Assets

Based on the unaudited pro form financial information of the Group as set out in Appendix III to this circular, upon completion of the Foundation Transaction, the unaudited pro forma consolidated total assets of the Group would be reduced by approximately HK\$841,226,000.

Liabilities

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this circular, upon completion of the Foundation Transaction, the unaudited pro forma consolidated total liabilities of the Group would be unchanged.

Earnings

Since the members of the TFHK Group are already subsidiaries of the Company, the financial results of the TFHK Group will continue to be consolidated with those of the Group.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, TFHK was owned as to 60% by the Company, and the remaining 40% was held by Fortunate Pool. Fortunate Pool is wholly-owned by Mr. Fung. Therefore both Fortunate Pool, as a substantial shareholder of TFHK, and Mr. Fung as an executive Director are

LETTER FROM THE BOARD

connected persons of the Company. The Foundation Transaction therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Foundation Transaction is greater than 25%, but is less than 100%, the Foundation Transaction also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

The Foundation Transaction is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Tides Holdings II negotiated and decided the principal commercial terms of the Tides Transaction with HNA Finance I without interference from Mr. Fung. According to the Tides SPA, the Tides Transaction can proceed to completion regardless of whether the Foundation Transaction completes.

Mr. Fung was first approached by HNA Finance I in relation to the Foundation Transaction and the two parties negotiated and decided the principal commercial terms between themselves without interference from Tide Holdings II. There is no arrangement between Tides Holdings II and Mr. Fung in relation to the Foundation Transaction. Given that the Tides Transaction can proceed regardless of the Foundation Transaction, Tides Holdings II does not have a material interest in the Foundation Transaction which is not available to the other Shareholders. Therefore, Tides Holdings II may vote at the SGM to be convened for the purpose of approving the Foundation SPA and the transactions contemplated thereunder.

The entering into of the Fung's Service Agreement between Company, TFHK and Mr. Fung as mentioned in the section headed "Other terms of the Foundation SPA" above in this circular is an exempted connected transaction under Rule 14A.95 of the Listing Rules.

Any Shareholder with a material interest in the Foundation Transaction and his/ her/ its associates will abstain from voting on the ordinary resolution approving the Foundation SPA and the transactions contemplated thereunder. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, neither Mr. Fung and Fortunate Pool nor any of their respective close associates were Shareholders.

Accordingly, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries and based on the aforesaid, no Shareholder or any of his/ her/ its close associates has any material interest in the Foundation SPA and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Foundation SPA and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee, has been established to give a recommendation to the Independent Shareholders as to whether the Foundation SPA and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and whether the Foundation SPA and the transaction contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Shareholders are

LETTER FROM THE BOARD

concerned and to advise the Independent Shareholders on how to vote, taking into account the advice of the Independent Financial Adviser. Anglo Chinese Corporate Finance, Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

The SGM will be held at 10:00 a.m., on Tuesday, 7 June 2016 at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong for the purpose of considering and, if thought fit, passing the Proposed Resolutions. The Notice of SGM is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy 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 form of proxy 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 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

Your attention is drawn to the Letter from the Independent Board Committee set out on pages 20 to 21 of this circular which contains its advice to Independent Shareholders as to whether the terms of the Foundation SPA and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, and the voting action that the Independent Board Committee would recommend at the SGM.

Your attention is also drawn to the Letter from Anglo Chinese set out on pages 22 to 41 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Foundation SPA and transactions contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole, and the voting action that the Independent Financial Adviser would recommend at the SGM.

For the reasons set out in this letter, the Board (excluding Mr. Fung who has abstained from voting on the relevant Board resolutions due to his interest in the Foundation SPA and Mr. Chiu Chin Hung who also abstained from voting on the Foundation SPA for the purpose of avoiding a perception of a conflict of interest) consider the terms of the Foundation SPA and transactions contemplated thereunder are normal commercial terms and are fair and reasonable, and the Foundation SPA and transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. The Board, accordingly, recommends Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM in relation to the Foundation SPA and the transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Letter from the Independent Board Committee, Letter from Anglo Chinese and the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Tysan Holdings Limited
LAU KIN FAI
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 687)

23 May 2016

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
40% OF THE ISSUED SHARES IN
TYSAN FOUNDATION (HONG KONG) LIMITED**

AND

NOTICE OF SGM

We refer to the circular to the Shareholders dated 23 May 2016 (the “**Circular**”), of which this letter forms part. Unless otherwise indicated herein or the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the section headed “Definitions” of the Circular.

We have been appointed by the Board as members of the Independent Board Committee to consider the terms of the Foundation SPA and to advise the Independent Shareholders as to whether the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders as a whole.

The Independent Financial Adviser has been appointed to advise us and the Independent Shareholders as to whether the terms of the Foundation SPA and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 6 to 19 of the Circular and the letter of advice from the Independent Financial Adviser as set out on pages 22 to 41 of the Circular and to the appendices of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the terms of the Foundation SPA and the transactions contemplated thereunder, and having taken into account the principal factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice dated 23 May 2016 the text of which is set out on pages 22 to 41 of the Circular, we consider that the terms of the Foundation SPA are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the Proposed Resolutions, particulars of which are set out in the Notice of SGM set out on pages SGM-1 to SGM-2 of the Circular.

Yours faithfully,
Independent Board Committee
of

Tysan Holdings Limited

Fan Chor Ho

Tse Man Bun

Lung Chee Ming, George

Li Kit Chee

Independent non-executive Directors

LETTER FROM ANGLO CHINESE

The following is the text of the letter of advice from Anglo Chinese Corporate Finance, Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this document.

ANGLO CHINESE

CORPORATE FINANCE, LIMITED

www.anglochinesegroup.com

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

23 May, 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 40% OF THE ISSUED SHARES IN TYSAN FOUNDATION (HONG KONG) LIMITED

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Foundation Transaction which is the acquisition from Fortunate Pool by the Company of the Foundation Sale Shares, representing in aggregate 40% of TFHK Shares. TFHK is a subsidiary of the Company. Capitalised terms defined in the circular of the Company dated 23 May, 2016 (the “**Circular**”), of which this letter forms part, shall have the same meaning when used in this letter unless the context requires otherwise.

The Foundation Transaction constitutes a connected transaction for the Company under the Listing Rules. As at the Latest Practicable Date, TFHK was owned as to 60% by the Company and 40% by Fortunate Pool which was wholly owned by Mr. Fung, the Company’s vice chairman, managing director and an executive Director. Therefore both Fortunate Pool, as a substantial shareholder of TFHK, and Mr. Fung as an executive Director, are connected persons of the Company. The Foundation Transaction also constitutes a major transaction under the Listing Rules as one or more of the applicable percentage ratios in respect of the Foundation Transaction is greater than 25%, but is less than 100% under Chapter 14 of the Listing Rules. Accordingly, the Foundation Transaction requires approval by the Independent Shareholders at the SGM. Details of the Foundation Transaction are contained in this Circular.

LETTER FROM ANGLO CHINESE

The Independent Board Committee comprising Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the Foundation SPA and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

In formulating our opinion and recommendation, we have relied on the information, opinions and the facts supplied to us by the Company, including those contained or referred to in this Circular and related announcements of the Company. We have reviewed the Foundation SPA; shareholders' agreement dated 17 January, 2014 between Mr. Fung, the Company, Fortunate Pool and TFHK relating to TFHK; the published information on the Company including the annual reports for the past three years, the last of which was in respect of the financial year ended 31 March, 2015; audited financial statements of TFHK Group for the three years ended 31 March 2013, 2014 and 2015 and the nine months ended 31 December, 2015; the application proof of the prospectus relating to the Spin-off Application; and the financial data on comparable listed companies in Hong Kong and their respective trading prices. We have also discussed with the management of the Company the business strategy and prospects for TFHK Group and the outlook of the foundation piling industry in Hong Kong.

We consider the information we have reviewed is sufficient to reach the conclusions set out in this letter and have no reason to doubt the truth, accuracy or completeness of the information provided to us by the Company and, or the Directors, and have been advised by the Directors that no material information has been omitted or withheld from the information supplied to us or the information relating to the Company and TFHK referred to in this Circular. We have relied on the information so provided to us and referred to in this Circular, and we have not verified it or conducted independent investigation into the business and affairs of the Company or TFHK.

Apart from normal professional fees for our services to the Company in connection with this appointment, no arrangement exists whereby we will receive any benefits from the Group or any of its associates.

BACKGROUND OF THE FOUNDATION TRANSACTION

On 19 April, 2016, the Company and HNA Finance I issued a joint announcement (the “**Joint Announcement**”) in relation to, amongst other things, (a) the sale by Tides Holdings II (the controlling shareholder of the Company as at the date of the Joint Announcement) of approximately 66% of the issued Shares to HNA Finance I (defined as “**Tides Transaction**” in this Circular) at HK\$4.53 per Share; (b) the Offer; and (c) the Foundation Transaction.

As stated in the Joint Announcement, on 19 April, 2016 (after trading hours), the Company, Fortunate Pool and Mr. Fung entered into the Foundation SPA, pursuant to which the Company has conditionally agreed to purchase and Fortunate Pool has conditionally agreed to sell the Foundation Sale Shares. As at the date of the Joint Announcement and as at the Latest Practicable Date, the Foundation Sale Shares represented 40% of TFHK Shares.

LETTER FROM ANGLO CHINESE

Consideration

The aggregate consideration payable in respect of the Foundation Transaction is HK\$836,790,400.

Payment of the consideration under the Foundation SPA shall be made in cash in the following manner:

- (i) HK\$549,143,700, being 75% of the Phase 1 Consideration, shall be paid by the Company to Fortunate Pool on Phase 1 Completion;
- (ii) HK\$183,047,900, being 25% of the Phase 1 Consideration, shall be paid by the Company to Fortunate Pool within (a) 30 days from the Closing Date or (b) 58 days from the completion of the Tides Transaction, whichever is the earlier; and
- (iii) HK\$104,598,800, being the entire Phase 2 Consideration, shall be paid by the Company to Fortunate Pool on Phase 2 Completion.

If the Company fails to pay the sum due under (ii) above, it shall pay interest to Fortunate Pool at the rate of 1% per annum on the outstanding sum from the due date of payment to the date of actual payment and Fortunate Pool is not entitled to rescission in respect of the Phase 1 Foundation Sale Shares transferred at Phase 1 Completion.

The Company expects to fund the payment of the Consideration out of the Group's internal resources.

Conditions Precedent to completion of the Foundation SPA

Completion of Foundation SPA is subject to the satisfaction or waiver (where applicable) of the following conditions:

- (i) completion of the Tides Transaction;
- (ii) the Company having obtained the approval of the independent Shareholders in respect of the Foundation Transaction at the SGM or in respect of such other matters in accordance with the applicable requirements under the Listing Rules;
- (iii) no government action, court order or legal proceedings having been taken making the Foundation Transaction unlawful;
- (iv) the warranties given by the Company in the Foundation SPA remaining true and accurate in all material respects and not misleading in any material respects as of Phase 1 Completion or Phase 2 Completion, as the case may be; and

LETTER FROM ANGLO CHINESE

- (v) the warranties given by Fortunate Pool in the Foundation SPA remaining true and accurate in all material respects and not misleading in any material respects as of Phase 1 Completion or Phase 2 Completion, as the case may be.

The Company may waive, in whole or in part, the condition listed in (v) above and Fortunate Pool may waive the condition listed in (iv) above. The conditions set out in (ii) and (iii) above may not be waived by any party and the condition set out in (i) above can only be waived by agreement between the Company and Fortunate Pool.

If any of the above conditions precedent has not been fulfilled or, where applicable, waived on or before 30 September, 2016 (or such later date as the parties to the Foundation SPA may agree in writing), then the Foundation SPA shall lapse and be of no further effect, save in respect of certain clauses relating to notices, confidentiality, costs and expenses, and other general provisions, and the parties shall have no claim against or liability or obligation to any other party, save in respect of antecedent breaches.

As at the Latest Practicable Date, none of the above conditions precedent of the Foundation SPA had been waived or fulfilled.

Completion of the Foundation SPA

Completion of Foundation SPA will take place in two phases described as follows:

- (i) Phase 1 Completion will take place on the date of completion of the Tides Transaction (or such other date as the parties to the Foundation SPA may agree in writing), when Fortunate Pool will sell and the Company (or its nominee(s)) will purchase, the Phase 1 Foundation Sale Shares, and together with all dividends and distributions declared or paid or agreed to be made or paid thereon on or after the date of Phase 1 Completion; and
- (ii) Phase 2 Completion will take place on a date within 12 months of the date of completion of the Tides Transaction as mutually agreed by the parties to the Foundation SPA (or such other date as the parties to the Foundation SPA may agree in writing), when Fortunate Pool will sell and the Company will purchase the Phase 2 Foundation Sale Shares, together with all dividends and distributions declared or paid or agreed to be made or paid thereon on or after the date of Phase 2 Completion.

Immediately after Phase 1 Completion, the interest of the Company in TFHK will increase from 60% to 95% of TFHK and after Phase 2 Completion, TFHK will become a wholly owned subsidiary of the Company.

Under the Foundation SPA, Mr. Fung agreed to unconditionally and irrevocably guarantee the due and punctual performance and observance of Fortunate Pool's obligations, commitments and undertakings under the Foundation SPA.

As at the date of the Joint Announcement and the Latest Practicable Date, neither Fortunate Pool nor Mr. Fung was a Shareholder.

LETTER FROM ANGLO CHINESE

Final dividend payment to the shareholders of TFHK

Under the Foundation SPA, the Company, Fortunate Pool and Mr. Fung will procure that, subject to the laws of Hong Kong, TFHK declares a final dividend for the year ended 31 March, 2016 to be paid to the shareholders of TFHK on or before the date of completion of the Tides Transaction. Under the terms of the Foundation SPA, such final dividend will be equivalent to 50% of the difference between (a) TFHK's audited consolidated net profits for the year ended 31 March, 2016 and (b) unaudited consolidated net profits for the six months' period ended 30 September, 2015 (the "**2016 Final Dividend**"). The declaration of dividend payments by TFHK will be based on the contractual provisions in the shareholders' agreement dated 17 January, 2014 between Mr. Fung, the Company, Fortunate Pool and TFHK, and which states that the dividend policy of TFHK is to distribute not less than 50% of (1) the distributable profits of TFHK Group, and (2) the net profit after taken into account the capital expenditure projection requirements, whichever is more, to the shareholders of TFHK in proportion to their shareholdings in TFHK. We understand that TFHK's audited consolidated accounts for the year ended 31 March, 2016 are not readily available as at the Latest Practicable Date and therefore the precise amount of the 2016 Final Dividend cannot be determined at the time of this letter. The management of the Company has confirmed to us that it does not consider that the payment of the 2016 Final Dividend, which is directly related to the profitability of TFHK, will place strain on the working capital requirements of TFHK.

Service agreement of Mr. Fung

In connection with the Foundation SPA, a service agreement will be entered into between the Company, TFHK and Mr. Fung if Phase 1 Completion takes place. Subject to approval of the remuneration committee of the Company and relevant requirements under the Listing Rules and the bye-laws of the Company, Mr. Fung will be appointed as the chief executive officer and an executive Director of the Company and will remain as a director of TFHK for a period of 18 months after Phase 1 Completion (or for such longer period as Mr. Fung and the Company may agree). Mr. Fung will receive an increase of 15% in his emoluments (including salary, bonuses and other benefits) in effect on 1 April, 2016. The service agreement will contain non-compete and non-solicitation provisions which will continue for a period of 12 months after termination or expiry of the service agreement. The entering into the service agreement by Mr. Fung is an exempted connected transaction under Rule 14A.95 of the Listing Rules.

PRINCIPAL FACTORS AND CONSIDERATIONS

We set out below the principal factors and considerations that we have taken into account in arriving at our advice to the Independent Board Committee and the Independent Shareholders.

Information on the Company, TFHK, Fortunate Pool and Mr. Fung

The Company is principally engaged in foundation piling, property development and property investment and management. The Company's foundation piling business in Hong Kong and Macau

LETTER FROM ANGLO CHINESE

contributed significantly to the Group's revenue in the past years. According to the "Operating Segment Information" section in the Company's audited annual reports for the financial years ended 31 March, 2013, 2014 and 2015, revenue from foundation piling business represented approximately 76.9%, 70.5% and 77.6% of the Group's total revenue.

TFHK is a foundation piling company in Hong Kong and is principally engaged in a wide range of foundation and related works in public and private sectors in Hong Kong, including bored piling, percussive H-piling, socket H-piling and mini-piling, excavation and lateral support works, pile cap, substructure and basement construction, footing works, site formation, ground investigation, landslip preventive and slope works and demolition. Public sector projects are mainly infrastructure and public housing programme or scheme related projects which are launched by various Hong Kong Government departments, authorities, statutory bodies, and private sector projects are mostly private residential and commercial buildings related projects which are launched by property developers or other commercial entities. For the three financial years ended 31 March, 2013, 2014 and 2015, TFHK Group's profit before tax represented approximately 8.7%, 28.4% and 36.4% of the Group's profit before tax, respectively.

Members of TFHK Group are registered as specialists with the Buildings Department of the Government of Hong Kong, and are registered in certain categories on the list of Approved Suppliers of Materials and Specialist Contractors for Public Works, as kept by the Development Bureau of the Government of Hong Kong, which is responsible for land-use planning, buildings, urban renewal, construction and works and development-related heritage conservation. Members of TFHK Group are also approved by the Housing Authority and registered on its list of contractors in the categories of piling (large diameter bored piling and percussive piling), ground investigation works and demolition works.

As mentioned above, as at the Latest Practicable Date, TFHK Shares was owned as to 60% by the Company and 40% by Fortunate Pool.

Fortunate Pool, a company incorporated in Hong Kong, is an investment holding company. Fortunate Pool is wholly owned by Mr. Fung. As at the Latest Practicable Date, Fortunate Pool was interested in 40% of the issued TFHK Shares.

LETTER FROM ANGLO CHINESE

Business operation, historical financial performances and prospects of TFHK Group

The table below is a summary of the consolidated statements of profit or loss of TFHK Group for the three years ended 31 March 2013, 2014, 2015 and nine months ended 31 December, 2015.

	Year ended 31 March			Nine months ended
	2013 ^{Note 1}	2014	2015	31 December 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(audited)
Revenue ^{Note 2}	2,896,047	2,471,234	3,752,214	2,404,501
Cost of sales	<u>(2,805,179)</u>	<u>(2,273,461)</u>	<u>(3,435,834)</u>	<u>(2,129,311)</u>
Gross profit	90,868	197,773	316,380	275,190
<i>Gross profit margin</i>	3.1%	8.0%	8.4%	11.4%
Gain on disposal of a subsidiary	9,240	—	—	—
Other income and gains	2,137	5,105	8,659	2,615
Administrative expenses	(33,117)	(40,320)	(23,040)	(18,050)
Other expenses, net	(16,370)	(13,979)	(1,812)	(23,019)
Finance costs	<u>(4,203)</u>	<u>(1,143)</u>	<u>(622)</u>	<u>(1,622)</u>
Profit before tax	48,555	147,436	299,565	235,114
Income tax expenses	<u>(10,477)</u>	<u>(18,339)</u>	<u>(38,068)</u>	<u>(33,742)</u>
Profit for the year	<u>38,078</u>	<u>129,097</u>	<u>261,497</u>	<u>201,372</u>
<i>Net profit margin</i>	1.3%	5.2%	7.0%	8.4%
Dividend paid	—	—	310,000	460,000

Source: Accountants' report of TFHK for the three years ended 31 March 2013, 2014 and 2015 and for nine months ended 31 December, 2015

Note 1: Pursuant to a group reorganisation of Tysan Holdings Limited ("THL"), on 17 September, 2012, TFHK acquired 100% equity interest in Tysan Machinery Hire Limited ("TMHL") from THL at a cash consideration of HK\$4,120,000, and TMHL disposed of its 100% equity interests in Lion Bright Limited, Proficiency Equipment Limited and its subsidiary (collectively the "Disposal Group") to Wealthy Silver Limited, a subsidiary of THL, at a cash consideration of HK\$4. As TFHK and TMHL were subsidiaries of THL before and after the acquisition, TFHK Group accounts for the acquisition of TMHL as a business combination under common control using the principles of merger accounting. At the time when TFHK acquired TMHL, the acquired business did not include the Disposal Group. Accordingly, the consolidated statements of profit or loss of TFHK Group only include the results of TMHL and its remaining subsidiary, Tysan Construction Equipment Trading Company Limited from the earliest date presented as if the acquisition had been completed at the beginning of the relevant periods.

Note 2: Revenue represents the aggregate of the value of foundation piling and site investigation contracts after eliminations of all significant intragroup transactions.

LETTER FROM ANGLO CHINESE

For the financial years ended 31 March, 2013, 2014 and 2015, and nine months ended 31 December, 2015

During the three years ended 31 March, 2013, 2014 and 2015 and nine months ended 31 December, 2015, TFHK Group's revenue was largely derived from its foundation piling contracts (which contributed more than 98.0% of its total revenue for each of the periods under review, respectively). During the same period, TFHK Group undertook foundation and related work projects in both Hong Kong and Macau. The revenue of TFHK decreased by approximately 14.7% from approximately HK\$2,896.0 million for the year ended 31 March, 2013 to approximately HK\$2,471.2 million for the year ended 31 March, 2014 primarily due to the substantial completion of five major foundation works projects (awarded to TFHK Group) in both the public and private sectors during the 2014 financial year with approximately over 70% of their respective total contract sum recognised as revenue for the year ended 31 March, 2013, and which included in particular a sizeable foundation work project in Macau. The revenue of TFHK subsequently increased by approximately HK\$1,281.0 million (or approximately 51.8%) to approximately HK\$3,752.2 million for the year ended 31 March, 2015 primarily due to the increase in the number of foundation works projects (of which each project contributed revenue of more than HK\$100 million) from 8 in 2014 to 16 in 2015.

According to the application proof of the prospectus relating to the Spin-off Application, two projects in Macau made a significant contribution to the gross profits and profits before tax of TFHK Group for the three years ended 31 March, 2013, 2014 and 2015, and accounted for more than 50% of the gross profits in each of these years. These two Macau projects were largely completed in July, 2013 and January, 2014, respectively.

According to findings of an independent market research company, TFHK is a market leading foundation company in Hong Kong and is ranked first, by revenue, in the foundation industry for three consecutive years from 2012 to 2014 in Hong Kong, and accounted for about 10.8%, 11.2% and 15.4% of market share for each respective year. TFHK has also recorded strong net profit growth in the past three years. As stated on page 33 of our letter, the compound annual growth rate of the net profits of TFHK from 2013 to 2015 is 162.1%, which is considerably higher than the comparable companies set out on page 33 of our letter.

For the nine months ended 31 December, 2015, TFHK's gross profits amounted to approximately HK\$275.2 million, representing approximately 87% of the Group's gross profits for the 2015 financial year. Gross profit and net profit margins for the nine months ended 31 December, 2015 increased to 11.4% and 8.4% (compared to 8.4% and 7.0%, respectively for the 2015 financial year) primarily because during the nine month period under review, there was only one project which was loss-making while a larger portion of profits were contributed from projects in the public sector which generally carried a higher profit margins than those in the private sector.

As shown in the table on page 28 above, TFHK Group paid in aggregate dividends amounting to HK\$310 million during the year ended 31 March, 2015, and HK\$460 million during the nine months ended 31 December, 2015. These dividend payments were made in accordance with the articles of association of TFHK and the shareholders' agreement dated 17 January, 2014 entered into between the Company, Fortunate Pool, Mr. Fung and TFHK referred to on page 26 of this letter.

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Prospects of the foundation business

As stated in the Company's 2015/2016 interim report, the Group expects Hong Kong's foundation piling industry to stay healthy in the near future. The Hong Kong Government's initiative to increase land supply for residential and commercial buildings and public housing units, the commencement of numerous large scale infrastructure projects, and the increasing investment in the property market are the key growth drivers of the foundation industry in Hong Kong. However, labour shortage, increasing operating costs and increasing competitors entering into the construction industry will be the major challenges to profit margins. Given the contracted works on hand, barring unforeseen circumstances, the foundation business of the Group is expected to benefit from the growth of the industry and maintain its leading market position in Hong Kong. As at the Latest Practicable Date, the Group had 21 ongoing contracts on hand, comprising 14 private sector contracts and seven contracts in the public sector. These contracts are expected to be completed between June, 2016 and February, 2018.

The table below is a summary of the consolidated statements of financial position of TFHK Group as at 31 March, 2013, 2014, 2015 and 31 December, 2015.

	2013^{Note 1}	As at 31 March		As at
	2013	2014	2015	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Property, plant and equipment	188,806	157,252	157,016	126,855
Deposits and other receivables	3,909	2,400	803	1,428
Total non-current assets	<u>192,715</u>	<u>159,652</u>	<u>157,819</u>	<u>128,283</u>
Inventories	11,738	9,895	10,945	20,834
Due from customers for contract works	96,338	105,017	160,041	90,006
Trade and retention receivables	701,453	758,902	1,003,977	832,806
Prepayments, deposits and other receivables	18,770	28,375	33,800	32,320
Tax prepaid	9,238	2,513	2,111	—
Amounts due from related companies	222,511	79,284	48,155	293
Time deposits	—	480,000	280,000	321,000
Cash and bank balances	227,299	95,774	245,332	223,414
Total current assets	<u>1,287,347</u>	<u>1,559,760</u>	<u>1,784,361</u>	<u>1,520,673</u>
Total assets	<u>1,480,062</u>	<u>1,719,412</u>	<u>1,942,180</u>	<u>1,648,956</u>

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	2013^{Note 1}	As at 31 March		As at 31 December
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Loan from related companies	(80,000)	(80,000)	(80,000)	—
Interest bearing bank borrowings	(14,260)	(5,485)	—	(224,817)
Deferred tax liabilities	(17,896)	(14,598)	(11,820)	(10,081)
Total non-current liabilities	<u>(112,156)</u>	<u>(100,083)</u>	<u>(91,820)</u>	<u>(234,898)</u>
Due to customers for contract works	(523,936)	(738,300)	(686,495)	(645,361)
Trade and retention payable and accruals	(437,843)	(396,497)	(721,331)	(555,116)
Deposits received and other payables	(342)	(583)	(954)	(848)
Interest bearing bank borrowings	(37,060)	(23,703)	(15,426)	(32,457)
Amounts due to related companies	(50,020)	—	—	—
Tax payable	(6,547)	(18,991)	(33,402)	(46,152)
Total current liabilities	<u>(1,055,748)</u>	<u>(1,178,074)</u>	<u>(1,457,608)</u>	<u>(1,279,934)</u>
Total liabilities	<u>(1,167,904)</u>	<u>(1,278,157)</u>	<u>(1,549,428)</u>	<u>(1,514,832)</u>
Net assets	<u>312,158</u>	<u>441,255</u>	<u>392,752</u>	<u>134,124</u>

Note 1: See note 1 on page 28 of this letter.

Source: Accountants' report of TFHK for the three years ended 31 March, 2013, 2014 and 2015 and nine months ended 31 December, 2015

Net assets of TFHK increased by approximately 41.4% to approximately HK\$441.3 million as at 31 March, 2014 (2013: HK\$312.2 million) primarily due to an increase in time deposits of approximately HK\$480.0 million and settlement of approximately HK\$50.0 million of amounts due to related companies. As at 31 March, 2015, net assets slightly decreased by approximately HK\$48.5 million (or approximately 11.0%) to approximately HK\$392.8 million when compared to the previous financial year end primarily because of an increase of approximately HK\$324.8 million in trade and retention payables and accruals and a decrease of approximately HK\$200.0 million in time deposits. Further, TFHK made a large dividend payment of HK\$310 million during the year ended 31 March, 2015. As at 31 December, 2015, net assets decreased by approximately HK\$258.6 million (or approximately 65.9%) to approximately HK\$134.1 million (31 March, 2015: HK\$392.8 million). A large part of such decrease was attributable to a decrease of approximately HK\$171.2 million in trade and retention receivables, a decrease of approximately HK\$70.0 million in amounts due from customers for contract works, an increase of approximately HK\$241.8 million in interest bearing bank borrowings partly to finance a dividend payment of HK\$460 million.

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Consideration of the Foundation Transaction

As stated in the Letter from the Board in this Circular, the aggregate consideration for the Foundation Sale Shares of HK\$836,790,400 (the “**Consideration**”) was determined after arm’s length negotiations among the parties to the Foundation SPA with reference to the consolidated net profit after tax of TFHK Group for the financial year ended 31 March, 2015. Due to the strong growth of TFHK Group’s earnings in the last three years (the reasons for which are more fully described on pages 28 and 29 under the heading titled “**Business operation, historical financial performances and prospects of TFHK Group**” above, and as demonstrated by the CAGR of net profits of 162.1% from 2013 to 2015 (see table on page 33 below) and the fact that profitability is widely considered by investors as one of the most fundamental factors in determining a company’s value, we consider the use of net profit after tax as the basis for determining the consideration for the Foundation Transaction to be appropriate.

In addition to the price-to-earnings ratio (“**P/E**”), we have adopted another two commonly used valuation multiples, namely the enterprise value-to-earnings before interest, taxes, depreciation and amortisation ratio (“**EV/EBITDA**”) and price-to-book ratio (“**P/B**”), in our following analysis that compare these multiples implied by the Consideration with those of all comparable Hong Kong listed companies in the foundation services industry which satisfied our selection criteria described below.

Comparison of Consideration with valuation of publicly listed companies in Hong Kong

When performing analysis on the valuation multiples implied by the Consideration, we selected listed companies in Hong Kong that meet the following criteria as being comparable to TFHK:-

- (i) being engaged in the businesses of heavy construction, construction and engineering, or engineering and construction services for the latest financial year;
- (ii) having over 75% of its revenue in the latest financial year being generated from the foundation business;
- (iii) having over 75% of its revenue in the latest financial year being generated in Hong Kong; and
- (iv) having recorded a net profit for the latest twelve months.

We have identified seven companies that satisfied the abovementioned criteria and which to the best of our knowledge, is an exhaustive list providing a relevant benchmark for the purpose of assessing the Foundation Transaction. In the course of calculating the trading multiples of these comparable companies, we note that the P/E of Pak Wing Group (Holdings) Ltd. (stock code, 8316) as at the date of the Joint Announcement was abnormal as it exceeded 2,000. We consider this company to be an outlier and have excluded it from our list of comparable companies, leaving us in total six comparable companies used in our analysis set out below (the “**Comparable Companies**”).

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TABLE 1 — COMPARABLE COMPANIES ANALYSIS

Company name	Stock code	Market capitalisation as at 19/4/2016, the date of the Joint Announcement	As at 19/4/2016, the date of the Joint Announcement			As at the Latest Practicable Date			Compound annual growth rate ("CAGR") Net profit (2013 - 2015)
			P/E (Note 1)	EV/EBITDA (Note 2)	P/B (Note 3)	P/E (Note 4)	EV/EBITDA (Note 5)	P/B (Note 6)	
		(HK\$ million)	(times)	(times)	(times)	(times)	(times)	(times)	
Chun Sing Engineering Holdings Ltd.	2277	1246.3	19.8	11.1	5.9	29.5	16.8	8.7	21.7%
New Concepts Holdings Ltd.	2221	1016.0	15.5	10.2	5.4	16.8	11.0	5.9	52.3%
Wan Kei Group Holdings Ltd.	1718	640.0	13.2	6.5	2.4	12.9	6.3	2.4	25.0%
Chinney Kin Wing Holdings Ltd.	1556	592.5	4.2	1.3	1.7	4.2	1.3	1.7	54.6%
In Construction Holdings Ltd.	1500	498.0	4.6	2.7	1.7	5.3	3.3	1.9	-4.3%
K. H. Group Holdings Ltd.	1557	496.0	7.4	6.1	5.1	6.7	5.6	4.6	100.4%
	Average	748.1	10.8	6.3	3.7	12.6	7.4	4.2	41.6%
	Median	616.3	10.3	6.3	3.8	9.8	5.9	3.5	38.6%
	Maximum	1246.3	19.8	11.1	5.9	29.5	16.8	8.7	100.4%
	Minimum	496.0	4.2	1.3	1.7	4.2	1.3	1.7	-4.3%
TFHK implied by the Consideration	N/A	N/A	11.4	6.7 (note 7)	32.6 (note 7)	11.4	6.7 (note 7)	32.6 (note 7)	162.1%

Source: Interim and annual reports of the comparable companies, and Bloomberg

Notes:

1. P/E of the comparable companies are calculated based on their respective market capitalisation on the date of the Joint Announcement, divided by the latest twelve months trailing earnings of the relevant companies prior to the date of the Joint Announcement.
2. EV/EBITDA of the comparable companies is calculated based on the enterprise value on the date of the Joint Announcement, divided by the latest twelve months trailing earnings before interest, tax, depreciation and amortisation ("EBITDA") of the relevant companies prior to the date of the Joint Announcement.
3. P/B of the comparable companies are calculated based on the market capitalisation on the date of the Joint Announcement, divided by the latest published net assets of the relevant companies prior to the date of the Joint Announcement.

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4. P/E of the comparable companies are calculated based on the market capitalisation on the Latest Practicable Date, divided by the latest twelve months trailing earnings of the relevant companies on the Latest Practicable Date.
5. EV/EBITDA of the comparable companies is calculated based on the enterprise value on the Latest Practicable Date, divided by the latest twelve months trailing earnings before interest, tax, depreciation and amortisation (“EBITDA”) of the relevant companies prior to the Latest Practicable Date.
6. P/B of the comparable companies are calculated based on the market capitalisation on the Latest Practicable Date, divided by the latest published net assets of the relevant companies prior to the Latest Practicable Date.
7. We understand TFHK’s audited consolidated accounts for the year ended 31 March 2016 is not readily available as at the Latest Practicable Date and therefore the board of TFHK has yet to decide the amount of the 2016 Final Dividend. For the purpose of calculating TFHK’s enterprise value and book value, we have assumed the 2016 Final Dividend will be approximately HK\$70,000,000, being 50% of the difference (rounded to the nearest ten million) between a) the estimated audited consolidated net profits of TFHK for the year ended 31 March, 2016 by annualising the audited profits for the nine months ended 31 December, 2015 and b) the unaudited consolidated net profits of TFHK for the six months ended 30 September, 2015 as stated in the application proof prospectus relating to the Spin-off Application.

P/E

Based on the TFHK Group’s latest twelve months trailing net profit after tax of approximately HK\$184,036,000, the Consideration implies a P/E of approximately 11.4 times which is slightly above the average and median of that of the Comparable Companies but lies within the range of between 4.2 times and 19.8 times as at the date of the Joint Announcement. The P/E ratios shown above have been calculated based on the price of the relevant shares traded in the market as portfolio investments and not to acquire an influential interest in the conduct of the relevant companies’ affairs. We would expect the price paid for an acquisition which consolidates absolute control of a company (as in the case of the Foundation Transaction) to be at a premium to a price paid for a passive minority investment.

EV/EBITDA

EBITDA is often viewed as a proxy for operating cash flow, and EV/EBITDA in turn resembles a price to cash flow multiple. It is one of the most popular multiples because it is unaffected by differences in depreciation policy and appears unaffected by differences in capital structure. The EV/EBITDA implied by the Consideration is around 6.7 times (taking into account the estimated amount of the 2016 Final Dividend of HK\$70,000,000). Again, this EV/EBITDA ratio is slightly above the average and median of that of the Comparable Companies but lies within the range of between 1.3 and 11.1 as at the date of the Joint Announcement.

P/B

The P/B implied by the Consideration for the Foundation Transaction is approximately 32.6 times (taking into account the estimated amount of the 2016 Final Dividend of HK\$70,000,000). At 32.6 times, the P/B implied by the Consideration is significantly above that of the Comparable Companies. TFHK had paid dividends of HK\$310 million and HK\$460 million during the financial year ended 31 March, 2015 and the nine months ended 31 December, 2015 respectively, and is expected to declare the 2016 Final Dividend. Given this high dividend payout, we consider that it is reasonable that TFHK exhibits an abnormally high P/B. In the circumstance, we are of the view that

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the P/B ratio is not a primary valuation measure to be used in our assessment of the fairness and reasonableness of the terms of the Foundation Transaction. We believe there are two additional factors as described more fully below that should be considered in assessing the fairness and reasonableness of the Consideration.

Demonstrated profitability

TFHK's profitability has been continuously growing over the last three years as demonstrated by the substantial growth in net profit after tax from approximately HK\$38.1 million in 2013 to approximately HK\$261.5 million in 2015, representing a CAGR of over 160%. As shown in Table 1, most of the Comparable Companies with positive CAGR in the same period, namely Chun Sing Engineering Holdings Ltd., New Concepts Holdings Ltd., Wan Kei Group Holdings Ltd, and K. H. Group Holdings Ltd., enjoyed a relatively higher valuation multiples than that of In Construction Holdings Ltd., which had recorded a -4.3% CAGR in net profit from 2013 to 2015.

In addition, TFHK's net profit margin has been improving from approximately 1.3% in 2013 to approximately 7.0% in 2015, and it further rose to approximately 8.4% for the nine months ended 31 December, 2015.

Control premium

Subsequent to the completion of the Foundation SPA, TFHK which is currently owned as to 60% by the Company, will become a wholly owned subsidiary of the Company. Albeit TFHK is not a listed company and that TFHK Shares are not traded publicly, we are of the view that the Foundation Transaction resembles a privatisation action conducted by the Company. For that reason and given the demonstrated profitability of TFHK in the past three years from 2013 to 2015 as described above, it is reasonable for the Company to offer a premium over TFHK's estimated market value to Fortunate Pool for the remaining 40% equity interest it owned.

Based on the HKEX Fact Book published by the Stock Exchange annually, we have identified a list of successful privatisation transactions conducted by major shareholders that occurred between 2011 and 2015 for the purpose of estimating the level of control premium paid.

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TABLE 2 — PRIVATISATION BY MAJOR SHAREHOLDERS

Date of initial announcement	Company	Offer/cancellation price (including value of exchange share) HK\$	Premium of offer/cancellation price over the share price one trading day prior to announcement of privatisation
27/05/2015	Dorsett Hospitality International Ltd. (stock code: 2266)	1.80	32.4%
26/02/2015	econtext Asia Ltd. (stock code: 1390)	4.09	41.0%
08/05/2014	Regent Manner International Holdings Ltd. (stock code: 1997)	1.80	32.4%
16/12/2013	Great Wall Technology Co. Ltd. - H Shares (stock code: 0074)	3.20	42.9%
21/02/2012	Alibaba.com Ltd. (stock code: 1688)	13.50	45.9%
30/01/2012	Samling Global Ltd. (stock code: 3938)	0.76	102.7%
19/10/2011	Zhengzhou China Resources Gas Co. Ltd - H Shares (stock code: 3928)	14.73	45.8%
08/08/2011	HannStar Board International Holdings Ltd. (stock code: 667)	1.25	47.1%
30/06/2011	China Resources Microelectronics Ltd. (stock code: 597)	0.48	43.3%
13/05/2011	Little Sheep Group Ltd. (stock code: 968)	6.50	30.0%
10/01/2011	Fubon Bank (Hong Kong) Ltd. (stock code: 636)	5.00	32.3%
		Average	45.1%
		Median	42.9%
		Maximum	102.7%
		Minimum	30.0%

As set out in Table 2, the premium over the prevailing share prices offered in successful privatisations from 2011 to 2015 ranged from 30.0% to 102.7%, with an average of 45.1% and a median of 42.9%.

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Illiquidity/lack of marketability discount

We are fully aware of the practice of adopting an illiquidity/lack of marketability discount on a private company's value for the purpose of reflecting the fact that non-public traded shares usually incur additional costs and time to be liquidated. However, there is a lack of consensus on determining the applicable discount which should vary from one company to another, and we commonly see practitioners adopting a "benchmark" rate ranging from 20% to 40%.

In our view, such an arbitrary discount may be appropriate in respect of the acquisition of a passive minority investment in a company whose shares are not listed and readily tradeable. It is however, in our opinion, of less significance, if any, in determining the value where the purchaser is acquiring 100 per cent control as in the case of the Foundation Transaction. In such cases we consider the listing status of the stake being acquired is of little relevance to the buyer. We have therefore not applied an illiquidity discount in the valuation of the Foundation Sale Shares as part of our assessment of the fairness and reasonableness of the Consideration.

Background to the negotiations

As mentioned in the Letter from the Board, Mr. Fung was first approached by HNA Finance I, who will become a controlling shareholder of the Company if the Offer becomes unconditional, in relation to the Foundation Transaction and the two parties negotiated and decided the principal commercial terms between themselves without interference from Tide Holdings II. There is no arrangement between Tides Holdings II and Mr. Fung in relation to the Foundation Transaction. Given that the Tides Transaction can proceed regardless of the Foundation Transaction, Tides Holdings II does not have a material interest in the Foundation Transaction which is not available to the other Shareholders. On the contrary, the Foundation Transaction will lapse if the Tides SPA fails to be completed as it is one of the conditions precedent in the Foundation SPA that can only be waived by agreement between the Company and Fortunate Pool.

Reasons for and benefits of entering into the Foundation Transaction

We note the reasons for and benefits of entering into the Foundation Transaction as set out on pages 14 to 16 of the Letter from the Board in the Circular.

Financial Impact of the Foundation Transaction on the Group

The following analysis is based on the audited consolidated financial statements of the Group for the three years ended 31 March, 2013, 2014 and 2015, the accountants' report of TFHK Group contained in Appendix II to the Circular and the unaudited pro forma financial information of the enlarged group as contained in Appendix III to the Circular.

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Earnings

As at the Latest Practicable Date, the financial results of TFHK have already been consolidated into the Group. After completion of the Foundation SPA, TFHK will become a wholly owned subsidiary of the Company and its financial results will continue to be consolidated into the Group's consolidated financial statements. Assuming the completion of the Foundation SPA had taken place on 31 March, 2016, the Foundation Transaction would have no immediate impact on the Group's profit after tax (before non-controlling interest) but would have enhanced its profit after tax attributable to ordinary equity holders of the Company.

Cash position

Based on the unaudited pro forma financial information on the Enlarged Group, cash position (including time deposits and cash and bank balances) of the Group after completion of the Foundation SPA would have declined by approximately HK\$841.23 million, representing the cash settlement for the Consideration and the costs (mainly professional fees) directly attributable to the Foundation Transaction.

Net assets

Based on the unaudited pro forma financial information on the Enlarged Group as shown in Appendix III to the Circular, the net assets attributable to the Shareholders after completion of the Foundation SPA would decrease by 27.4% (or approximately HK\$745.1 million) to approximately HK\$1.98 billion. The Foundation Transaction would not result in any change in control by the Company over TFHK Group and the Company's changes in equity interest in TFHK Group as a result of the Foundation Transaction would be accounted for as an equity transaction. The decrease in net assets is largely attributable to the amount of HK\$740.66 million, being the difference between Consideration of HK\$836.79 million and the carrying amount of the 40% non-controlling interest of HK\$96.13 million as at 30 September, 2015 that would be deducted in determining the net assets of the Group following completion of the Foundation SPA. Such decrease in net assets results from the accounting treatment of the Foundation Transaction which necessitates that the Group's financial statements reflect the book value of the Foundation Sale Shares rather than their appraised value (which should in our opinion include a premium expected to be paid for a passive minority investment such that the Company may consolidate absolute control of TFHK after completion of the Foundation SPA as mentioned on page 35 above).

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PREVIOUS TRANSACTION RELATING TO SHARES IN TFHK

On 19 August, 2013, the Company announced a general offer for its Shares for HK\$2.86 in cash, the sale of the 40% interest in TFHK and related shareholder's loan to Fortunate Pool for a total cash consideration of HK\$157 million. As stated in the circular dated 25 November, 2013 issued by the Company, Censere (Far East) Limited valued the Foundation Sale Shares at approximately HK\$153.8 million as at 31 August, 2013. Such valuation was determined based on the following formula ("Censere Methodology in 2013"):

Average of 5.91 times price to earnings ratio of comparable companies

X average net profits for a three year period from 2011 to 2013 of HK\$97.2 million

X (100% - lack of marketability discount of 33%)

Net profits of the TFHK Group for the three years ended 31 March, 2011, 2012 and 2013 amounted to approximately HK\$103.48 million, HK\$160.69 million and HK\$27.4 million (restated to HK\$38.08 million) respectively, which were significant lower than the profits of the TFHK Group for the year ended 31 March, 2015.

Adopting the valuation methodology as the Censere Methodology in 2013 and taking into account our view that a control premium should be applied and the inapplicability of the illiquidity/lack of marketability discount as described alone, the value of 40% equity interest in TFHK would be HK\$1,183.4 million as shown in the calculations below.

(I) Valuation of 100% equity interest in TFHK using Censere Methodology in 2013

(a)	Average P/E of the Comparable Companies as at 19 April, 2016 (based on the Comparable Companies' 90 days average market capitalisation ^(note 1) and their average net profits after tax for the latest three financial years)	14.27
(b)	Average net profits after tax of the TFHK Group for a three year period from 2013 to 2015	HK\$142.9 million
(c) = (a) x (b)		HK\$2,039 million
(d)	Illiquidity discount of 33%	HK\$(672.9) million
(c) - (d) = Value of 100% equity interest in TFHK (I)		HK\$1,366.2 million

(I) Value of 40% equity interest in TFHK = HK\$546.5 million

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(II) Result of TFHK's value under Censere Methodology in 2013 but disregarding the illiquidity discount

(c) = After disregarding the illiquidity discount of 33% HK\$2,039 million

(II) Value of 40% equity interest in TFHK = HK\$815.7 million

(III) Result of TFHK's value under Censere Methodology in 2013 but disregarding the illiquidity discount and including a control/privatisation premium

(c) = After disregarding the illiquidity discount of 33% HK\$2,039 million

(e) Privatisation premium of 45.1% HK\$919.6 million

(c) + (e) = Value of 100% equity interest in TFHK (III) HK\$2,958.6 million

(III) Value of 40% equity interest in TFHK = HK\$1,183.4 million

Note 1

The shares in K. H. Group Holdings Ltd. was listed on 18 March, 2016. Therefore its average market capitalisation since its date of listing until 19 April, 2016 was used in our calculations

The abovementioned valuation of 40% equity interest in TFHK using Censere Methodology in 2013 (in which an illiquidity discount of 33% has been applied) of HK\$546.5 million is for illustration purpose only. This is because we are of the view that an illiquidity discount should not be applied in the valuation of the Foundation Sale Shares as part of our assessment of the fairness and reasonableness of the Consideration. (Please refer to the sub-heading titled "Illiquidity/ lack of marketability discount" on page 37 of this letter for further details.) It is noted that the value of 40% equity interest in TFHK is HK\$1,183.4 million (if no illiquidity discount is applied and a control/privatisation premium of 45.1% is applied) is considerably higher than the Consideration of HK\$836.8 million. Further, even if the privatisation premium is removed (as shown in the calculations in scenario II above) the value of a 40% interest in TFHK would be HK\$815.7 million, and which is largely in line with the Consideration of HK\$836.8 million payable under the Foundation SPA.

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CONCLUSIONS AND RECOMMENDATIONS

We have considered the above principal factors and reasons for the Foundation Transaction, we consider that the terms of Foundation SPA are on normal commercial terms, and the entering of the Foundation SPA is in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and we also advise that, the Independent Shareholders vote in favour of the resolution to be proposed at the SGM to approve the Foundation SPA and the transactions contemplated under it.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited
Stephanie Wong¹
Director

¹ Ms. Stephanie Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Anglo Chinese to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the years ended 31 March 2013, 2014 and 2015 and the financial information of the Group for the six months ended 30 September 2015 together with the relevant notes thereto are disclosed in the following documents which have been published on the website of the Company (www.tysan.com) and the website of the Stock Exchange (www.hkexnews.hk):

- Interim report of the Company for the six months ended 30 September 2015 published on 4 December 2015 (pages 10 to 27);

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1204/LTN20151204121.pdf>

- Annual report of the Company for the year ended 31 March 2015 published on 30 June 2015 (pages 53 to 187);

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0630/LTN20150630161.pdf>

- Annual report of the Company for the year ended 31 March 2014 published on 9 July 2014 (pages 46 to 175);

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0709/LTN20140709179.pdf>

- Annual report of the Company for the year ended 31 March 2013 published on 28 June 2013 (pages 41 to 168);

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0628/LTN20130628274.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2016, being the latest practicable date for the purpose of preparation of this statement prior to the publication of this circular, the Group had bank borrowings amounting to approximately HK\$856,946,000, details of which are as follows:-

Bank borrowings

The following table illustrates the Group's indebtedness as at 31 March 2016:

	<i>HK\$'000</i>
<i>Current</i>	
Bank loans, unsecured	188,194
Bank loan, secured	6,100
Instalment loan, secured	4,274
	<u>198,568</u>
<i>Non-current</i>	
Bank loans, unsecured	580,799
Instalment loan, secured	77,579
	<u>658,378</u>
 Total	 <u><u>856,946</u></u>

The Group's bank loans in the amount of approximately HK\$2,260,000 containing a repayment on demand clause is included within current secured bank loan. Based on the maturity terms of the bank loans, the amount repayable within one year or on demand as at 31 March 2016 is approximately HK\$196,308,000.

As at 31 March 2016, the Group's bank borrowings were secured by certain of the Group's land and buildings, and equipment and machinery with carrying amounts of approximately HK\$174,895,000 and Nil, respectively. All bank borrowings were supported by corporate guarantees from the Company and certain subsidiaries of the Company, respectively. Mr. Fung, who is a beneficial shareholder of certain subsidiaries of the Company through Fortunate Pool, also provided personal guarantees in respect of borrowing facilities granted to these subsidiaries.

Contingent liabilities

- (a) As at 31 March 2016, the Group provided guarantees to certain banks in respect of performance bonds granted to certain subsidiaries of approximately HK\$195,469,000.
- (b) As at 31 March 2016, the Group has provided guarantees in respect of mortgage facilities granted by Shenyang Housing Fund Management Center relating to the mortgage loans arranged for purchases of certain properties developed by a subsidiary of the Company and the outstanding mortgage loans under these guarantees amounted to approximately HK\$14,277,000.
- (c) As at 31 March 2016, the Company provided guarantees to certain banks in connection with general credit facilities granted to certain subsidiaries in an aggregate amount of approximately HK\$1,167,344,000.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or hire purchase commitments, guarantees or other contingent liabilities as at the close of business on 31 March 2016.

3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account: (i) the internal resources of the Group; (ii) the Group's presently available banking facilities; and (iii) the completion of the Foundation Transaction, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that save for the following matters, there has been no material adverse change in the financial or trading position of the Group since 31 March 2015, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (i) the Group's net assets would be reduced by HK\$841.22 million after payment of the consideration under Foundation Transaction and the acquisition-related costs; and
- (ii) the Group's net assets would be decreased by HK\$197.98 million after payments under the Management Incentive Scheme upon completion of Tides Transaction.

As mentioned in the "Letter from the Board", the Company expects to fund the payment of the Consideration and the payments under the Management Incentive Scheme out of the internal resources of the Group. The Company has sufficient cash and bank balances and funds in short term time deposits to satisfy both payments.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at the Latest Practicable Date, the Group was principally engaged in foundation piling, property development, property investment and management.

As set out in the Joint Announcement, HNA Finance I and its Concert Parties may obtain 66% of the issued Shares and become the controlling Shareholder of the Company if the Tides Transaction completes.

As set out in the Joint Announcement, HNA Finance I was incorporated in Anguilla on 2 February 2016 as a company with limited liability. It is an indirectly wholly-owned subsidiary of HNA Group Co., Ltd. ("**HNA Group**") and an investment holding company established for the purpose of holding the Tides Sale Shares and any Shares acquired under the Offer. HNA Group is a PRC conglomerate encompassing six core divisions of aviation, holdings, capital, tourism, logistics and ecological technology. According to the Fortune Global 500 ranking released by the U.S. "Fortune" magazine in 2015, HNA Group ranked No. 464 among all companies in the world, with an annual revenue of about

US\$25.6 billion. HNA Group is held as to 70% by Hainan Traffic Administration Holding Co., Ltd.* (海南交管控股有限公司), whose ultimate controlling shareholder is Hainan Province Cihang Foundation* (海南省慈航公益基金會) (* English translations of the company names from the Chinese language are provided for identification purposes only).

As far as the Company is aware, and as disclosed in the Joint Announcement, it is the intention of HNA Finance I that the Group will continue with its existing businesses and that subject to market conditions, HNA Finance I intends to provide funds, personnel, technology and other resources to support the Group's investment in and development of new projects, and raise the number of projects, asset value and brand recognition to a higher level, including actively seeking potential business investment and development projects in the PRC and overseas.

In respect of the foundation business, the Company will strive to maintain its leading market share by competing for sizable and profitable foundation projects, focusing on Hong Kong as its principal market, and exploring expansion or project opportunities in markets outside Hong Kong. With the Company's strong track record in the number and contract value of the projects undertaken, technical capabilities, established market reputation, our current projects in hand in Hong Kong and expected increase in public spending on housing and infrastructure projects in Hong Kong, the Company believes that its foundation business is well positioned and will be able to benefit from the expected growth of the foundation industry in Hong Kong.

As set out in the section headed "Reasons for the Foundation Transaction" in the "Letter from the Board" contained in this circular, the Company was of the view that it is timely to consolidate its investment in the foundation industry so as to benefit from the growth of the foundation industry. It was also noted that in connection with the Foundation SPA, Mr. Fung will enter into the Fung's Service Agreement and will remain as an executive Director and a director of TFHK for a period of at least 18 months. The continuous leadership and management of Mr. Fung will add to the sustainability of the Group's business in the long run. The Company presently has no plans to change the way in which it conducts the business of TFHK after the expiry of the initial term of the Fung's Service Agreement.

In respect of the property development business, property investment and management businesses, the Company will improve its sale performance of its properties in Shanghai, Tianjin and Shenyang and at the same time explore investment opportunities for further development. Riding on the success of previous renovation of investment properties, the Company will look for old buildings and increase their value through implementing value added alterations in future.

The Group will continue to maintain a prudent investment and financing strategy and strive to strengthen its efficiency, while seeking opportunities to maximize the return to its Shareholders.

A. ACCOUNTANTS' REPORT ON THE TFHK GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

23 May 2016

The Board of Directors
Tysan Holdings Limited

Dear Sirs,

We set out below our report on the financial information of Tysan Foundation (Hong Kong) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 March 2013, 2014 and 2015 and the nine months ended 31 December 2015 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 March 2013, 2014 and 2015 and 31 December 2015, together with the notes thereto (the “Financial Information”), and the comparative consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the nine months ended 31 December 2014 (the “Interim Comparative Information”), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the circular of Tysan Holdings Limited (“THL”) dated 23 May 2016 (the “Circular”) in connection with THL’s acquisition of 40% equity interests in the Company (the “Foundation Acquisition”).

The Company was incorporated in Hong Kong as a company with limited liability on 21 August 2000. The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 1 of Section II below.

As at the date of this report, the Company has direct interests in the subsidiaries as set out in note 1 of Section II below. Except for Tysan Construction (Macau) Limited and Highgreat Limited which adopted 31 December as their financial year end date, all companies now comprising the Group have adopted 31 March as their financial year end date. The financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 March 2013, 2014 and 2015 and the nine months ended 31 December 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors’ responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2013, 2014 and 2015 and 31 December 2015, and of their financial performance and cash flows for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss

	Notes	Year ended 31 March			Nine months ended 31 December	
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Unaudited)	2015 HK\$'000
REVENUE	6	2,896,047	2,471,234	3,752,214	2,844,207	2,404,501
Cost of sales		<u>(2,805,179)</u>	<u>(2,273,461)</u>	<u>(3,435,834)</u>	<u>(2,512,306)</u>	<u>(2,129,311)</u>
Gross profit		90,868	197,773	316,380	331,901	275,190
Gain on disposal of a subsidiary	25	9,240	—	—	—	—
Other income and gains	6	2,137	5,105	8,659	5,123	2,615
Administrative expenses		(33,117)	(40,320)	(23,040)	(19,350)	(18,050)
Other expenses, net		(16,370)	(13,979)	(1,812)	97	(23,019)
Finance costs	7	<u>(4,203)</u>	<u>(1,143)</u>	<u>(622)</u>	<u>(496)</u>	<u>(1,622)</u>
PROFIT BEFORE TAX	8	48,555	147,436	299,565	317,275	235,114
Income tax expense	11	<u>(10,477)</u>	<u>(18,339)</u>	<u>(38,068)</u>	<u>(38,442)</u>	<u>(33,742)</u>
PROFIT FOR THE YEAR/PERIOD		<u>38,078</u>	<u>129,097</u>	<u>261,497</u>	<u>278,833</u>	<u>201,372</u>

Consolidated statements of comprehensive income

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(Unaudited)</i>
PROFIT FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u>38,078</u>	<u>129,097</u>	<u>261,497</u>	<u>278,833</u>	<u>201,372</u>

Consolidated statements of financial position

	Notes	As at 31 March			As at
		2013	2014	2015	31 December
		HK\$'000	HK\$'000	HK\$'000	2015
					HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	188,806	157,252	157,016	126,855
Deposits and other receivables	18	<u>3,909</u>	<u>2,400</u>	<u>803</u>	<u>1,428</u>
Total non-current assets		<u>192,715</u>	<u>159,652</u>	<u>157,819</u>	<u>128,283</u>
CURRENT ASSETS					
Inventories	15	11,738	9,895	10,945	20,834
Due from customers for contract works	16	96,338	105,017	160,041	90,006
Trade and retention receivables	17	701,453	758,902	1,003,977	832,806
Prepayments, deposits and other receivables	18	18,770	28,375	33,800	32,320
Tax prepaid		9,238	2,513	2,111	—
Due from fellow subsidiaries	26	—	8	155	293
Due from Tysan Holdings Limited	26	222,511	79,276	48,000	—
Time deposits	19	—	480,000	280,000	321,000
Cash and bank balances	19	<u>227,299</u>	<u>95,774</u>	<u>245,332</u>	<u>223,414</u>
Total current assets		<u>1,287,347</u>	<u>1,559,760</u>	<u>1,784,361</u>	<u>1,520,673</u>
CURRENT LIABILITIES					
Trade and retention payables and accruals	20	437,843	396,497	721,331	555,116
Deposits received and other payables		342	583	954	848
Due to customers for contract works	16	523,936	738,300	686,495	645,361
Interest-bearing bank borrowings	21	37,060	23,703	15,426	32,457
Due to fellow subsidiaries	26	50,020	—	—	—
Tax payable		<u>6,547</u>	<u>18,991</u>	<u>33,402</u>	<u>46,152</u>
Total current liabilities		<u>1,055,748</u>	<u>1,178,074</u>	<u>1,457,608</u>	<u>1,279,934</u>
NET CURRENT ASSETS		<u>231,599</u>	<u>381,686</u>	<u>326,753</u>	<u>240,739</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>424,314</u>	<u>541,338</u>	<u>484,572</u>	<u>369,022</u>

APPENDIX II
FINANCIAL INFORMATION OF THE TFHK GROUP

		As at 31 March			As at 31 December
	<i>Notes</i>	2013	2014	2015	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES					
Loan from a related company	26	—	32,000	32,000	—
Loan from Tysan Holdings Limited	26	80,000	48,000	48,000	—
Interest-bearing bank borrowings	21	14,260	5,485	—	224,817
Deferred tax liabilities	22	17,896	14,598	11,820	10,081
		<u>112,156</u>	<u>100,083</u>	<u>91,820</u>	<u>234,898</u>
Total non-current liabilities		<u>112,156</u>	<u>100,083</u>	<u>91,820</u>	<u>234,898</u>
Net assets		<u>312,158</u>	<u>441,255</u>	<u>392,752</u>	<u>134,124</u>
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	23	—	—	—	—
Reserves	24	312,158	441,255	392,752	134,124
		<u>312,158</u>	<u>441,255</u>	<u>392,752</u>	<u>134,124</u>
Total equity		<u>312,158</u>	<u>441,255</u>	<u>392,752</u>	<u>134,124</u>

Consolidated statements of changes in equity

	Attributable to the equity holders of the Company					
	Share capital HK\$'000	Capital contribution reserve HK\$'000 (Note 24(a))	Capital reserve HK\$'000 (Note 24(b))	Statutory reserve HK\$'000 (Note 24(c))	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2012	—	16,613	(67,975)	12	329,443	278,093
Profit for the year and total comprehensive income for the year	—	—	—	—	38,078	38,078
Business combination under common control (note 1)	—	—	(4,120)	—	—	(4,120)
Equity-settled share option arrangements	—	107	—	—	—	107
Reserve reclassified upon disposal of a subsidiary	—	(16,720)	—	—	16,720	—
At 31 March 2013 and 1 April 2013	—	—*	(72,095)*	12*	384,241*	312,158
Profit for the year and total comprehensive income for the year	—	—	—	—	129,097	129,097
At 31 March 2014 and 1 April 2014	—	—*	(72,095)*	12*	513,338*	441,255
Profit for the year and total comprehensive income for the year	—	—	—	—	261,497	261,497
2014 final dividend paid (note 12)	—	—	—	—	(250,000)	(250,000)
2015 interim dividend paid (note 12)	—	—	—	—	(60,000)	(60,000)
At 31 March 2015	—	—*	(72,095)*	12*	464,835*	392,752

APPENDIX II
FINANCIAL INFORMATION OF THE TFHK GROUP

	Attributable to the equity holders of the Company					
	Share capital	Capital contribution reserve	Capital reserve	Statutory reserve	Retained profits	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 24(a))</i>	<i>(Note 24(b))</i>	<i>(Note 24(c))</i>			
At 1 April 2015	—	—	(72,095)	12	464,835	392,752
Profit for the period and total comprehensive income for the period	—	—	—	—	201,372	201,372
2015 final dividend paid (note 12)	—	—	—	—	(290,000)	(290,000)
2016 interim dividend paid (note 12)	—	—	—	—	(170,000)	(170,000)
At 31 December 2015	<u>—</u>	<u>—*</u>	<u>(72,095)*</u>	<u>12*</u>	<u>206,207*</u>	<u>134,124</u>
At 1 April 2014	—	—	(72,095)	12	513,338	441,255
Profit for the period and total comprehensive income for the period (Unaudited)	—	—	—	—	278,833	278,833
2014 final dividend paid (note 12)	—	—	—	—	(250,000)	(250,000)
2015 interim dividend paid (note 12)	—	—	—	—	(60,000)	(60,000)
At 31 December 2014 (Unaudited)	<u>—</u>	<u>—</u>	<u>(72,095)</u>	<u>12</u>	<u>482,171</u>	<u>410,088</u>

* These reserve accounts comprise the consolidated reserves of HK\$312,158,000, HK\$441,255,000, HK\$392,752,000 and HK\$134,124,000 in the consolidated statements of financial position as at 31 March 2013, 2014 and 2015 and 31 December 2015, respectively.

Consolidated statements of cash flows

	Notes	Year ended 31 March			Nine months ended 31 December	
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000
<i>(Unaudited)</i>						
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Profit before tax		48,555	147,436	299,565	317,275	235,114
Adjustments for:						
Interest income	6	(630)	(1,600)	(3,555)	(2,856)	(1,509)
Finance costs	7	4,203	1,143	622	496	1,622
Depreciation	8	61,396	55,774	58,758	42,431	45,179
Equity-settled share option expense	8	107	—	—	—	—
Loss/(gain) on disposal and write-off of items of property, plant and equipment	8	15,404	18,316	406	(1,087)	4,469
Gain on disposal of a subsidiary	25	(9,240)	—	—	—	—
		119,795	221,069	355,796	356,259	284,875
Decrease/(increase) in inventories		7,052	1,843	(1,050)	(1,737)	(9,889)
Decrease/(increase) in amounts due from customers for contract works		31,188	(8,679)	(55,024)	(32,158)	70,035
Decrease/(increase) in trade and retention receivables		(289,747)	(57,449)	(245,075)	(324,062)	171,171
Increase in prepayments, deposits and other receivables		(10,986)	(7,805)	(5,425)	(790)	(351)
Decrease/(increase) in amounts due from fellow subsidiaries		31,920	(8)	(147)	(9,072)	(138)
Decrease/(increase) in an amount due from THL		(120,901)	143,235	31,276	31,276	48,000
Increase/(decrease) in trade and retention payables and accruals		106,189	(41,324)	324,849	334,366	(166,233)
Increase/(decrease) in deposits received and other payables		193	241	371	326	(106)
Increase/(decrease) in amounts due to customers for contract works		340,213	214,364	(51,805)	(69,667)	(41,134)
Increase/(decrease) in amounts due to fellow subsidiaries		20	(20)	—	—	—
Cash generated from operations		214,936	465,467	353,766	284,741	356,230
Taxes paid in:						
Hong Kong		(30,754)	(11,061)	(9,640)	—	—
Elsewhere		—	(2,978)	(16,804)	(16,804)	(22,731)
Taxes refunded:						
Hong Kong		255	11,571	411	—	2,111
Net cash flows from operating activities		184,437	462,999	327,733	267,937	335,610

APPENDIX II
FINANCIAL INFORMATION OF THE TFHK GROUP

	Notes	Year ended 31 March			Nine months ended 31 December	
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		630	1,600	3,555	2,856	1,509
Payment for business combination under common control	1	(4,120)	—	—	—	—
Deposits paid for acquisition of items of property, plant and equipment		(3,909)	—	(203)	—	(144)
Purchases of items of property, plant and equipment		(67,710)	(44,586)	(62,499)	(39,694)	(19,512)
Net cash inflow from disposal of a subsidiary	25	(1,722)	—	—	—	—
Proceeds on disposal of items of property, plant and equipment		1,087	1,759	5,371	4,920	1,375
Decrease/(increase) in a non-pledged time deposit with original maturity of more than three months when acquired		—	(100,000)	100,000	100,000	—
Net cash flows from/(used in) investing activities		<u>(75,744)</u>	<u>(141,227)</u>	<u>46,224</u>	<u>68,082</u>	<u>(16,772)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest paid		(4,240)	(1,165)	(637)	(506)	(1,564)
New bank borrowings		455,286	9,247	14,000	—	249,625
Repayment of bank borrowings		(512,603)	(31,379)	(27,762)	(11,157)	(7,817)
Loan advance/(repayment of loan) from a related company		—	32,000	—	—	(32,000)
Repayment of loan from THL		(113,688)	(32,000)	—	—	(48,000)
Advances from/(repayment of loans to) fellow subsidiaries		185,700	(50,000)	—	—	—
Dividends paid		—	—	(310,000)	(310,000)	(460,000)
Net cash flows from/(used in) financing activities		<u>10,455</u>	<u>(73,297)</u>	<u>(324,399)</u>	<u>(321,663)</u>	<u>(299,756)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		119,148	248,475	49,558	14,356	19,082
Cash and cash equivalents at beginning of year/period		<u>108,151</u>	<u>227,299</u>	<u>475,774</u>	<u>475,774</u>	<u>525,332</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>227,299</u>	<u>475,774</u>	<u>525,332</u>	<u>490,130</u>	<u>544,414</u>

APPENDIX II
FINANCIAL INFORMATION OF THE TFHK GROUP

	<i>Notes</i>	Year ended 31 March			Nine months ended 31 December	
		2013	2014	2015	2014	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(Unaudited)</i>						
ANALYSIS OF THE BALANCES						
OF CASH AND CASH						
EQUIVALENTS						
Cash and bank balances	19	227,299	95,774	245,332	120,130	223,414
Non-pledged time deposits	19	<u>—</u>	<u>480,000</u>	<u>280,000</u>	<u>370,000</u>	<u>321,000</u>
Cash and cash equivalents as stated in the consolidated statements of financial position		227,299	575,774	525,332	490,130	544,414
Non-pledged time deposit with original maturity of more than three months when acquired		<u>—</u>	<u>(100,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents as stated in the consolidated statements of cash flows		<u>227,299</u>	<u>475,774</u>	<u>525,332</u>	<u>490,130</u>	<u>544,414</u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Hong Kong. Its registered office is located at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in foundation piling and site investigation business in Hong Kong and Macau.

The Company's immediate holding company is Tysan Holdings Limited ("THL"), a company incorporated in Bermuda and listed in Hong Kong. In the opinion of the directors, the Company is ultimately controlled by The Blackstone Group L.P., which is listed on the New York Stock Exchange.

As at the date of this report, the Company had interests in the following subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ establishment and place of operations	Issued capital	Percentage of equity directly attributable to the Company	Principal activities
Tysan Machinery Hire Limited ("TMHL") (notes (a), (d) and (f))	Hong Kong/ 17 August 1982	Ordinary HK\$10,000 Deferred HK\$200,000	100	Machinery hiring
Tysan Foundation Limited (notes (a) and (d))	Hong Kong/ 18 October 1988	Ordinary HK\$141,000,000 Deferred HK\$3,000,000	100	Foundation piling and site investigation
Tysan Construction (Macau) Limited (note (b))	Macau/ 9 July 2004	Ordinary Macao Patacas("MOP") 25,000	100	Foundation piling and site investigation
Tysan Contractors (Hong Kong) Limited (note (a))	Hong Kong/ 12 January 1993	HK\$2	100	Project management and provision of consultancy services
Tysan Foundation Geotechnical Limited (notes (a) and (e))	Hong Kong/ 12 June 1998	HK\$10,000,000	100	Foundation piling and site investigation
Foundation Testing Services Limited (note (c))	Hong Kong/ 25 April 2013	HK\$1	100	Testing services
Highgreat Limited (note (b))	Hong Kong/ 19 March 2004	HK\$1	100	Machinery leasing

Notes:

- (a) The financial statements for the years ended 31 March 2013, 2014 and 2015 were audited by Ernst & Young, Hong Kong.
- (b) The financial statements for the years ended 31 December 2012, 2013 and 2014 were audited by Ernst & Young, Hong Kong.
- (c) The financial statements for the period from 25 April 2013 (date of incorporation) to 31 March 2014 and the year ended 31 March 2015 were audited by Ernst & Young, Hong Kong.
- (d) The deferred shares carry no rights to dividends (other than a fixed non-cumulative dividend at the rate of 5% per annum for any financial year during which the net profit of the relevant company available for dividends exceeds HK\$1 billion), no rights to vote at general meetings, no rights to receive any surplus on a return of capital on a winding-up (other than the amount paid up on such shares, provided that the holders of the ordinary shares of that company have been distributed in such a winding-up of a sum of HK\$1,000 billion in respect of each ordinary share).
- (e) The name of the company was changed from Tysan Geotechnical Limited to Tysan Foundation Geotechnical Limited with effective from 23 April 2014.
- (f) Pursuant to a group reorganisation of THL, on 17 September 2012, the Company acquired 100% equity interest in TMHL from THL at a cash consideration of HK\$4,120,000, and TMHL disposed of its 100% equity interests in Lion Bright Limited, and Proficiency Equipment Limited and its subsidiary (collectively the “Disposal Group”) to Wealthy Silver Limited, a subsidiary of THL, at a cash consideration of HK\$4. As the Company and TMHL were subsidiaries of THL before and after the acquisition, the Group accounts for the acquisition of TMHL as a business combination under common control using the principles of merger accounting. At the time when the Company acquired TMHL, the acquired business did not include the Disposal Group. Accordingly, the consolidated statements of profit or loss of the Group only include the results of TMHL and its remaining subsidiary, Tysan Construction Equipment Trading Company Limited, from the earliest date presented as if the acquisition had been completed at the beginning of the Relevant Periods.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 April 2015, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

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

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

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

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

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSS

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

HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ¹
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

⁴ No mandatory effective date is determined but is available for early adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, other than explained below regarding the impact of the adoption of HKFRS 15, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentive received from the lessor are charged to the consolidated statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in other expenses.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events

that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the consolidated statement of profit or loss.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party

under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group’s financial liabilities include trade and retention payables and accruals, interest-bearing bank borrowings, amounts due to fellow subsidiaries and THL, loans from a related company and THL and other payables.

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

Inventories

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

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fees earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from a contract customer.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to a contract customer.

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) *From foundation piling construction contracts*

On the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” above; and

(b) *Interest income*

On an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits*Paid leave carried forward*

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

Pension schemes

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

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

Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences are taken to the consolidated statements of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management makes various judgements and estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that can significantly affect the amounts recognised in the Financial Information are disclosed below:

Impairment of trade and retention receivables

The policy for impairment of trade and retention receivables of the Group is based on the evaluation of collectability and aging analysis of trade and retention receivables and on management's judgement. Significant judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required.

Percentage of completion of construction works

The Group recognises revenue according to the percentage of completion of the individual contract of construction works. The Group's management estimates the percentage of completion of construction works if the value of works has not been certified by the customers at the end of the reporting period. These estimates are based on actual cost incurred over the total budgeted cost. Corresponding contract revenue is also estimated by management. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses.

Estimation of total budgeted costs and cost to completion for construction works

Total budgeted costs for construction works comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction works, management makes reference to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) professional estimates on material costs, labour costs and other costs.

5. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of foundation piling and site investigation services. All of the Group's income is of similar nature and subject to similar risk and returns. Accordingly, the Group's operating activities are attributable to a single operating segment.

Geographical information

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2013			
Revenue from external customers	<u>2,192,454</u>	<u>703,593</u>	<u>2,896,047</u>
Non-current assets	<u>182,870</u>	<u>9,845</u>	<u>192,715</u>
Year ended 31 March 2014			
Revenue from external customers	<u>2,021,304</u>	<u>449,930</u>	<u>2,471,234</u>
Non-current assets	<u>159,377</u>	<u>275</u>	<u>159,652</u>
Year ended 31 March 2015			
Revenue from external customers	<u>3,477,352</u>	<u>274,862</u>	<u>3,752,214</u>
Non-current assets	<u>157,740</u>	<u>79</u>	<u>157,819</u>
Nine months ended 31 December 2014 (unaudited)			
Revenue from external customers	<u>2,569,345</u>	<u>274,862</u>	<u>2,844,207</u>
Nine months ended 31 December 2015			
Revenue from external customers	<u>2,404,501</u>	<u>—</u>	<u>2,404,501</u>
Non-current assets	<u>128,226</u>	<u>57</u>	<u>128,283</u>

Information about major customers

Revenue derived from sales to individual customers with over 10% of the total revenue of the Group during the years ended 31 March 2013, 2014 and 2015 and the nine months ended 31 December 2014 and 2015 is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Customer A	640,230	N/A*	N/A*	N/A*	N/A*
Customer B	376,907	353,865	661,142	369,250	920,211
Customer C	N/A*	289,107	N/A*	N/A*	N/A*
	<u>1,017,137</u>	<u>642,972</u>	<u>661,142</u>	<u>369,250</u>	<u>920,211</u>

* Sales to these customers during the Relevant Periods amounted to less than 10% of the total revenue of the Group other than those disclosed in the above table.

6. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the aggregate of the value of foundation piling and site investigation contracts, after eliminations of all significant intragroup transactions.

An analysis of other income and gains is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Other income and gains:					
Interest income	630	1,600	3,555	2,856	1,509
Insurance claims	313	1,422	3,458	1,013	—
Gain on disposal of spare parts	850	1,249	592	295	569
Foreign exchange gains, net	—	325	—	—	49
Rental income from sub-leasing of a piece of land	250	270	280	205	230
Others	94	239	774	754	258
	<u>2,137</u>	<u>5,105</u>	<u>8,659</u>	<u>5,123</u>	<u>2,615</u>

7. FINANCE COSTS

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:					
Bank borrowings	2,935	1,052	622	496	1,622
Due to fellow subsidiaries	<u>1,268</u>	<u>91</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>4,203</u>	<u>1,143</u>	<u>622</u>	<u>496</u>	<u>1,622</u>

8. PROFIT BEFORE TAX

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

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Depreciation	61,396	55,774	58,758	42,431	45,179
Minimum lease payments under operating leases in respect of land and buildings	6,677	8,045	4,622	3,490	6,225
Rental of construction equipment	41,542	58,773	85,972	47,202	83,865
Auditors' remuneration	859	974	829	562	3,111
Employee benefit expense (including directors' remuneration (note 9))					
Wages, salaries, allowance and benefit-in-kind	280,152	346,402	424,654	298,249	350,134
Equity-settled share option expense	107	—	—	—	—
Pension scheme contributions	9,174	10,408	13,992	10,115	11,313
	<u>289,433</u>	<u>356,810</u>	<u>438,646</u>	<u>308,364</u>	<u>361,447</u>
Foreign exchange differences, net	1,352	(325)	25	116	(49)
Loss/(gain) on disposal and write-off of items of property, plant and equipment*	<u>15,404</u>	<u>18,316</u>	<u>406</u>	<u>(1,087)</u>	<u>4,469</u>

* These amounts are included in "Other expenses, net" in the consolidated statements of profit or loss, except for the amounts of HK\$2,103,000, HK\$5,745,000, nil, nil and nil which are included in "Cost of sales" in the consolidated statements of profit or loss for the years ended 31 March 2013, 2014 and 2015 and the nine months ended 31 December 2014 and 2015, respectively.

9. DIRECTORS' REMUNERATION

Details of the directors' remuneration are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	11,200	15,373	19,378	14,806	14,511
Pension scheme contributions	22	24	27	20	20
Equity-settled share option expenses	—	—	—	—	—
	<u>11,222</u>	<u>15,397</u>	<u>19,405</u>	<u>14,826</u>	<u>14,531</u>

The remuneration as disclosed below represents the amounts in respect of the services rendered by the directors to the Group during the Relevant Periods.

	Salaries, bonuses, allowances and benefits in kind		Equity- settled share option expenses	Pension scheme contributions	Total
	Fees				
	HK\$'000	HK\$'000			
Year ended 31 March 2013					
Mr. Fung, Chiu Chak Victor ("Mr. Victor Fung")	—	3,787	—	4	3,791
Miss Kwok, Jennifer*	—	1,571	—	4	1,575
Mr. Chiu, Chin Hung [#]	—	5,842	—	14	5,856
Mr. Wang Tianbing [#]	—	—	—	—	—
Mr. Law Yiu Fat, Richard [#]	—	—	—	—	—
Mr. Justin Wai [#]	—	—	—	—	—
	<u>—</u>	<u>11,200</u>	<u>—</u>	<u>22</u>	<u>11,222</u>

	Fees <i>HK\$'000</i>	Salaries, bonuses, allowances and benefits in kind <i>HK\$'000</i>	Equity- settled share option expenses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2014					
Mr. Victor Fung	—	4,838	—	5	4,843
Miss Kwok, Jennifer*	—	3,834	—	4	3,838
Mr. Chiu, Chin Hung [#]	—	6,701	—	15	6,716
Mr. Wang Tianbing [#]	—	—	—	—	—
Mr. Law Yiu Fat, Richard [#]	—	—	—	—	—
Mr. Justin Wai [#]	—	—	—	—	—
	<u>—</u>	<u>15,373</u>	<u>—</u>	<u>24</u>	<u>15,397</u>
Year ended 31 March 2015					
Mr. Victor Fung	—	10,568	—	8	10,576
Miss Kwok, Jennifer*	—	722	—	1	723
Mr. Chiu, Chin Hung [#]	—	8,088	—	18	8,106
Mr. Wang Tianbing [#]	—	—	—	—	—
Mr. Law Yiu Fat, Richard [#]	—	—	—	—	—
Mr. Justin Wai [#]	—	—	—	—	—
	<u>—</u>	<u>19,378</u>	<u>—</u>	<u>27</u>	<u>19,405</u>

	Fees <i>HK\$'000</i>	Salaries, bonuses, allowances and benefits in kind <i>HK\$'000</i>	Equity- settled share option expenses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Nine months ended 31 December 2014 (unaudited)					
Mr. Victor Fung	—	7,951	—	6	7,957
Miss Kwok, Jennifer*	—	722	—	1	723
Mr. Chiu, Chin Hung [#]	—	6,133	—	13	6,146
Mr. Wang Tianbing [#]	—	—	—	—	—
Mr. Law Yiu Fat, Richard [#]	—	—	—	—	—
Mr. Justin Wai [#]	—	—	—	—	—
	<u>—</u>	<u>14,806</u>	<u>—</u>	<u>20</u>	<u>14,826</u>

Nine months ended 31 December 2015

Mr. Victor Fung	—	8,226	—	7	8,233
Mr. Chiu, Chin Hung [#]	—	6,285	—	13	6,298
Mr. Wang Tianbing [#]	—	—	—	—	—
Mr. Law Yiu Fat, Richard [#]	—	—	—	—	—
Mr. Justin Wai [#]	—	—	—	—	—
	<u>—</u>	<u>14,511</u>	<u>—</u>	<u>20</u>	<u>14,531</u>

* Miss Kwok, Jennifer resigned as a director of the Company with effect from 1 July 2014.

[#] Mr. Chiu, Chin Hung, Mr. Wang Tianbing, Mr. Law Yiu Fat, Richard and Mr. Justin Wai were appointed as directors of the Company with effect from 1 May 2014.

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods are analysed as follows:

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors	9,647	15,397	18,682	14,103	14,531
Non-director, highest paid employees	<u>8,796</u>	<u>8,660</u>	<u>9,289</u>	<u>6,910</u>	<u>7,331</u>
	<u>18,443</u>	<u>24,057</u>	<u>27,971</u>	<u>21,013</u>	<u>21,862</u>

Details of the remuneration of the above non-director, highest paid employees during the Relevant Periods are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, bonuses, allowances and benefits in kind	8,763	8,642	9,253	6,884	7,292
Pension scheme contributions	<u>33</u>	<u>18</u>	<u>36</u>	<u>26</u>	<u>39</u>
	<u>8,796</u>	<u>8,660</u>	<u>9,289</u>	<u>6,910</u>	<u>7,331</u>

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

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
				<i>(Unaudited)</i>	
Nil to HK\$1,500,000	—	—	—	1	—
HK\$1,500,001 to HK\$2,000,000	1	—	—	1	2
HK\$2,000,001 to HK\$2,500,000	—	—	2	—	—
HK\$3,000,001 to HK\$3,500,000	1	—	—	—	—
HK\$3,500,001 to HK\$4,000,000	1	1	—	1	1
HK\$4,500,001 to HK\$5,000,000	—	1	1	—	—
	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the persons, who were directors, waived or agreed to waive any remuneration during the Relevant Periods.

11. INCOME TAX

Hong Kong profits tax has been provided on the estimated assessable profit arising in Hong Kong at the rate of 16.5% for the years ended 31 March 2013, 2014 and 2015 and the nine months ended 31 December 2015 and 2014. Taxes on profits assessable in Macau have been calculated at the applicable tax rates.

The major components of the income tax expense for the Relevant Periods are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(Unaudited)</i>
Current:					
Provision for tax in respect of profit for the year/period:					
- Hong Kong	10,534	8,699	18,150	15,852	29,121
- Elsewhere	<u>3,915</u>	<u>17,128</u>	<u>22,732</u>	<u>22,732</u>	<u>6,399</u>
	14,449	25,827	40,882	38,584	35,520
Overprovision in the prior years					
- Hong Kong	(48)	(4,167)	(19)	(9)	(39)
- Elsewhere	<u>—</u>	<u>(23)</u>	<u>(17)</u>	<u>(17)</u>	<u>—</u>
	(48)	(4,190)	(36)	(26)	(39)
Deferred tax (note 22)	<u>(3,924)</u>	<u>(3,298)</u>	<u>(2,778)</u>	<u>(116)</u>	<u>(1,739)</u>
Total tax charge for the year/period	<u>10,477</u>	<u>18,339</u>	<u>38,068</u>	<u>38,442</u>	<u>33,742</u>

A reconciliation of the tax charge applicable to profit before tax at the statutory tax rates to the tax charge at the effective tax rates is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Profit before tax	<u>48,555</u>	<u>147,436</u>	<u>299,565</u>	<u>317,275</u>	<u>235,114</u>
Tax at the statutory tax rates	6,960	17,349	40,967	43,789	36,001
Adjustment in respect of current tax of prior years	(48)	(4,190)	(36)	(26)	(39)
Temporary difference not recognised	(204)	(1)	(12)	—	(36)
Income not subject to tax	(1,560)	(1,729)	(2,223)	(1,580)	(1,399)
Expenses not deductible for tax	2,067	1,914	337	82	3,237
Unrecognised tax losses from prior years utilised	—	—	(161)	(3,823)	(4,489)
Tax losses not recognised/ (recognised), net	<u>3,262</u>	<u>4,996</u>	<u>(804)</u>	<u>—</u>	<u>467</u>
Tax charge at the Group's effective tax rates	<u>10,477</u>	<u>18,339</u>	<u>38,068</u>	<u>38,442</u>	<u>33,742</u>

12. DIVIDENDS

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Dividends paid during the year/period:					
Final in respect of last financial year	—	—	250,000	250,000	290,000
Interim	—	—	60,000	60,000	170,000
	<u>—</u>	<u>—</u>	<u>310,000</u>	<u>310,000</u>	<u>460,000</u>

The dividend rate is not presented as such information is considered not meaningful for the purpose of this report.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earning per share information is not presented as its inclusion, for the purpose of this report is not meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

	Equipment and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Motor yacht <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2013						
Cost:						
At beginning of year	658,493	3,798	8,992	5,196	2,015	678,494
Additions	63,591	2,558	1,529	—	32	67,710
Disposals/write-off	(34,852)	(458)	(243)	—	—	(35,553)
Disposal of a subsidiary (note 25)	—	(3,782)	(6,089)	(5,196)	(483)	(15,550)
At 31 March 2013	<u>687,232</u>	<u>2,116</u>	<u>4,189</u>	<u>—</u>	<u>1,564</u>	<u>695,101</u>
Accumulated depreciation and impairment:						
At beginning of year	458,274	3,359	5,952	5,196	1,883	474,664
Depreciation provided during the year	59,929	257	1,075	—	135	61,396
Disposals/write-off	(18,361)	(458)	(243)	—	—	(19,062)
Disposal of a subsidiary (note 25)	—	(1,042)	(4,011)	(5,196)	(454)	(10,703)
At 31 March 2013	<u>499,842</u>	<u>2,116</u>	<u>2,773</u>	<u>—</u>	<u>1,564</u>	<u>506,295</u>
Net book value:						
At 31 March 2013	<u>187,390</u>	<u>—</u>	<u>1,416</u>	<u>—</u>	<u>—</u>	<u>188,806</u>
At 1 April 2012	<u>200,219</u>	<u>439</u>	<u>3,040</u>	<u>—</u>	<u>132</u>	<u>203,830</u>

APPENDIX II
FINANCIAL INFORMATION OF THE TFHK GROUP

	Equipment and machinery	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 March 2014					
Cost:					
At beginning of year	687,232	2,116	4,189	1,564	695,101
Additions	48,495	—	—	—	48,495
Disposals/write-off	(41,902)	—	(225)	(22)	(42,149)
At 31 March 2014	<u>693,825</u>	<u>2,116</u>	<u>3,964</u>	<u>1,542</u>	<u>701,447</u>
Accumulated depreciation and impairment:					
At beginning of year	499,842	2,116	2,773	1,564	506,295
Depreciation provided during the year	55,225	—	549	—	55,774
Disposals/write-off	(17,627)	—	(225)	(22)	(17,874)
At 31 March 2014	<u>537,440</u>	<u>2,116</u>	<u>3,097</u>	<u>1,542</u>	<u>544,195</u>
Net carrying amount:					
At 31 March 2014	<u>156,385</u>	<u>—</u>	<u>867</u>	<u>—</u>	<u>157,252</u>
31 March 2015					
Cost:					
At beginning of year	693,825	2,116	3,964	1,542	701,447
Additions	58,807	—	3,692	—	62,499
Disposals/write-off	(28,052)	—	(927)	—	(28,979)
At 31 March 2015	<u>724,580</u>	<u>2,116</u>	<u>6,729</u>	<u>1,542</u>	<u>734,967</u>
Accumulated depreciation and impairment:					
At beginning of year	537,440	2,116	3,097	1,542	544,195
Depreciation provided during the year	58,253	—	505	—	58,758
Disposals/write-off	(24,237)	—	(765)	—	(25,002)
At 31 March 2015	<u>571,456</u>	<u>2,116</u>	<u>2,837</u>	<u>1,542</u>	<u>577,951</u>

APPENDIX II
FINANCIAL INFORMATION OF THE TFHK GROUP

	Equipment and machinery	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net carrying amount:					
At 31 March 2015	<u>153,124</u>	<u>—</u>	<u>3,892</u>	<u>—</u>	<u>157,016</u>
31 December 2015					
Cost:					
At beginning of period	724,580	2,116	6,729	1,542	734,967
Additions	18,974	—	538	—	19,512
Disposals/write-off	<u>(19,874)</u>	<u>(2,116)</u>	<u>(501)</u>	<u>—</u>	<u>(22,491)</u>
At 31 December 2015	<u>723,680</u>	<u>—</u>	<u>6,766</u>	<u>1,542</u>	<u>731,988</u>
Accumulated depreciation and impairment:					
At beginning of period	571,456	2,116	2,837	1,542	577,951
Depreciation provided during the period	44,410	—	769	—	45,179
Disposals/write-off	<u>(15,380)</u>	<u>(2,116)</u>	<u>(501)</u>	<u>—</u>	<u>(17,997)</u>
At 31 December 2015	<u>600,486</u>	<u>—</u>	<u>3,105</u>	<u>1,542</u>	<u>605,133</u>
Net carrying amount:					
At 31 December 2015	<u>123,194</u>	<u>—</u>	<u>3,661</u>	<u>—</u>	<u>126,855</u>

At the end of each of the Relevant Periods, certain of the Group's equipment and machinery were pledged to banks as security for certain banking facilities granted to the Group (note 21).

15. INVENTORIES

	As at 31 March			As at 31 December
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	5,560	1,807	622	918
Spare parts and others	<u>6,178</u>	<u>8,088</u>	<u>10,323</u>	<u>19,916</u>
	<u>11,738</u>	<u>9,895</u>	<u>10,945</u>	<u>20,834</u>

16. CONSTRUCTION CONTRACTS

	As at 31 March			As at 31 December
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from customers for contract works	96,338	105,017	160,041	90,006
Amounts due to customers for contract works	<u>(523,936)</u>	<u>(738,300)</u>	<u>(686,495)</u>	<u>(645,361)</u>
	<u>(427,598)</u>	<u>(633,283)</u>	<u>(526,454)</u>	<u>(555,355)</u>
Contract costs incurred plus recognised profits less recognised losses to date	6,841,088	8,970,068	10,865,475	12,706,280
Less: Progress billings received and receivable	<u>(7,268,686)</u>	<u>(9,603,351)</u>	<u>(11,391,929)</u>	<u>(13,261,635)</u>
	<u>(427,598)</u>	<u>(633,283)</u>	<u>(526,454)</u>	<u>(555,355)</u>

As at 31 March 2013 and 2015 and 31 December 2015, included in the amounts due from customers for contract works is an amount due from Tysan Building Construction Company Limited (“TBCCL”), a related company, of HK\$8,540,000, HK\$18,000 and HK\$18,000, respectively. As at 31 March 2014, included in the amounts due to customers for contract works was an amount due to TBCCL of HK\$288,000. A director and controlling shareholder of TBCCL, Mr. Victor Fung, is also the director of the Company.

17. TRADE AND RETENTION RECEIVABLES

The Group has established credit policies that follow local industry standards. The average normal credit periods offered to trade customers other than for retention receivables are within 30 days, and are subject to periodic review by management. In view of the aforementioned and the fact that the Group’s trade and retention receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and retention receivables balances. Trade and retention receivables are non-interest-bearing.

APPENDIX II**FINANCIAL INFORMATION OF THE TFHK GROUP**

	As at 31 March			As at 31
	2013	2014	2015	December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
Trade receivables	446,524	457,270	629,116	528,620
Retention receivables	<u>254,929</u>	<u>301,632</u>	<u>374,861</u>	<u>304,186</u>
	<u>701,453</u>	<u>758,902</u>	<u>1,003,977</u>	<u>832,806</u>

As at 31 March 2013 and 2014, included in the trade and retention receivables were amounts due from TBCCL, a related company, of HK\$2,331,000 and HK\$6,331,000, respectively, which are repayable on similar credit terms offered to the major customers of the Group.

At the end of each of the Relevant Periods, an aged analysis of the trade receivables, based on the invoice date and net of provision, is as follows:

	As at 31 March			As at 31
	2013	2014	2015	December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
Trade receivables:				
Within 90 days	446,524	455,090	616,744	512,023
91 to 180 days	—	—	—	10
181 to 360 days	—	1,409	10,192	15,816
Over 360 days	<u>—</u>	<u>771</u>	<u>2,180</u>	<u>771</u>
	<u>446,524</u>	<u>457,270</u>	<u>629,116</u>	<u>528,620</u>

The aged analysis of the trade and retention receivables that are not considered to be impaired is as follows:

	As at 31 March			As at 31
	2013	2014	2015	December
	HK\$'000	HK\$'000	HK\$'000	2015
Neither past due nor impaired	688,815	706,656	934,999	780,502
1 to 90 days past due	12,638	50,066	56,606	35,707
91 to 270 days past due	—	1,409	—	9,899
More than 270 days past due	—	771	12,372	6,698
	<u>701,453</u>	<u>758,902</u>	<u>1,003,977</u>	<u>832,806</u>

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances. The carrying amounts of the trade and retention receivables approximates to their fair values.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March			As at 31
	2013	2014	2015	December
	HK\$'000	HK\$'000	HK\$'000	2015
Deposits for acquisition of items of property, plant and equipment	3,909	—	203	347
Other receivables	3,152	8,418	8,964	11,522
Prepayments and deposits	<u>15,618</u>	<u>22,357</u>	<u>25,436</u>	<u>21,879</u>
	22,679	30,775	34,603	33,748
Less: deposits and other receivables classified as non-current assets	<u>(3,909)</u>	<u>(2,400)</u>	<u>(803)</u>	<u>(1,428)</u>
	<u>18,770</u>	<u>28,375</u>	<u>33,800</u>	<u>32,320</u>

Included in other receivables of the Group is a receivable for the disposal of equipment amounting to nil, HK\$4,200,000, HK\$2,400,000 and HK\$1,050,000 as at 31 March 2013, 2014 and 2015 and 31 December 2015, respectively.

As at 31 March 2013, 2014 and 2015 and 31 December 2015, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The carrying amounts of other receivables and deposits approximate to their fair values.

19. CASH AND CASH EQUIVALENTS

	As at 31 March			As at 31 December
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Time deposits (note)	—	480,000	280,000	321,000
Cash and bank balances	<u>227,299</u>	<u>95,774</u>	<u>245,332</u>	<u>223,414</u>
	<u>227,299</u>	<u>575,774</u>	<u>525,332</u>	<u>544,414</u>
Euro	16,966	772	507	509
MOP	43,453	5,552	5,629	7,721
HK\$	<u>166,880</u>	<u>569,450</u>	<u>519,196</u>	<u>536,184</u>
	<u>227,299</u>	<u>575,774</u>	<u>525,332</u>	<u>544,414</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposits rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Note: Included in the Group's balance is a time deposit of nil, HK\$100,000,000, nil and nil as at 31 March 2013, 2014 and 2015 and 31 December 2015 of which the original maturity is more than three months when acquired.

20. TRADE AND RETENTION PAYABLES AND ACCRUALS

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 March			As at 31 December
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables:				
Within 30 days	96,086	66,344	119,688	71,733
31 to 90 days	112,362	74,873	176,386	149,092
91 to 180 days	275	114	120	721
Over 180 days	333	1	12	9
	<u>209,056</u>	<u>141,332</u>	<u>296,206</u>	<u>221,555</u>
Retention payables	79,581	69,070	76,897	63,424
Accruals	<u>149,206</u>	<u>186,095</u>	<u>348,228</u>	<u>270,137</u>
	<u>437,843</u>	<u>396,497</u>	<u>721,331</u>	<u>555,116</u>

The trade and retention payables are non-interest-bearing and are normally settled within 90 days other than for retention payables.

The carrying amounts of trade and retention payables and accruals approximate to their fair values.

21. INTEREST-BEARING BANK BORROWINGS

	As at 31 March 2013		As at 31 March 2014		As at 31 March 2015		As at 31 December 2015					
	Effective interest rate (%)	Maturity HK\$'000	Effective interest rate (%)	Maturity HK\$'000	Effective interest rate (%)	Maturity HK\$'000	Effective interest rate (%)	Maturity HK\$'000				
Current												
Bank loans — unsecured	1.4-3.2	2014-2016	16,885	1.4-3.2	2014-2016	9,923	3.2	2016	5,486	2.2-3.2	2016	25,397
Bank loans — secured	1.7-2.7	2013-2017	20,175	1.7-2.7	2017	13,780	2.7	2017	9,940	2.7	2017	7,060
		37,060		23,703		15,426						32,457
Non-current												
Bank loans — unsecured	1.4-3.2	2014-2016	14,260	1.4-3.2	2014-2016	5,485	—	—	—	2.2-3.2	2018	224,817
		51,320		29,188		15,426						257,274
Analysed into:												
Bank loans repayable												
Within one year or on demand		37,060		23,703		15,426						32,457
In the second year		8,775		5,485		—						74,878
In the third to fifth years, inclusive		5,485		—		—						149,939
		51,320		29,188		15,426						257,274

As at 31 March 2013, 2014 and 2015 and 31 December 2015, the Group's secured bank borrowings were secured by certain of its equipment and machinery with carrying amounts of HK\$11,827,000, HK\$8,525,000, nil and nil (note 14), respectively.

THL has executed guarantees in respect of certain of the Group's banking facilities up to HK\$393,878,000, HK\$562,256,000, HK\$736,049,000 and HK\$756,365,000 as at 31 March 2013, 2014 and 2015 and 31 December 2015, respectively.

Mr. Victor Fung, who is the controlling shareholder of Fortunate Pool Limited ("Fortunate Pool"), has provided personal guarantees in respect of the Group's banking facilities up to nil, nil, HK\$282,376,000 and HK\$504,243,000 as at 31 March 2013, 2014 and 2015 and 31 December 2015, respectively. Fortunate Pool held 40% equity interests of the Company at the end of each of the Relevant Periods.

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

The Group's bank borrowings are all denominated in HK\$.

As further explained in note 31 to the Financial Information, due to the adoption of HK Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan That Contains a Repayment on Demand Clause*, the Group's bank loans with the aggregate amounts of HK\$23,327,000, HK\$14,929,000, HK\$9,940,000 and HK\$7,060,000 as at 31 March 2013, 2014 and 2015 and 31 December 2015 containing a repayment on demand clause have been classified as current liabilities. For the purpose of the above analysis, these bank loans are included within current interest-bearing bank borrowings and analysed into bank loans payables within one year or on demand.

Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans of the Group are analysed into:

As at 31 March 2013

	Within one year	In the second year	In the third to fifth years, inclusive	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans with repayment on demand clause	8,718	4,989	9,620	23,327
Other bank loans	<u>13,733</u>	<u>8,775</u>	<u>5,485</u>	<u>27,993</u>
	<u>22,451</u>	<u>13,764</u>	<u>15,105</u>	<u>51,320</u>

As at 31 March 2014

	Within one year <i>HK\$'000</i>	In the second year <i>HK\$'000</i>	In the third to fifth years, inclusive <i>HK\$'000</i>	Total <i>HK\$'000</i>
Bank loans with repayment on demand clause	4,989	3,840	6,100	14,929
Other bank loans	<u>8,774</u>	<u>5,485</u>	<u>—</u>	<u>14,259</u>
	<u>13,763</u>	<u>9,325</u>	<u>6,100</u>	<u>29,188</u>

As at 31 March 2015

	Within one year <i>HK\$'000</i>	In the second year <i>HK\$'000</i>	In the third to fifth years, inclusive <i>HK\$'000</i>	Total <i>HK\$'000</i>
Bank loans with repayment on demand clause	3,840	3,840	2,260	9,940
Other bank loans	<u>5,486</u>	<u>—</u>	<u>—</u>	<u>5,486</u>
	<u>9,326</u>	<u>3,840</u>	<u>2,260</u>	<u>15,426</u>

As at 31 December 2015

	Within one year <i>HK\$'000</i>	In the second year <i>HK\$'000</i>	In the third to fifth years, inclusive <i>HK\$'000</i>	Total <i>HK\$'000</i>
Bank loans with repayment on demand clause	3,840	3,220	—	7,060
Other bank loans	<u>25,397</u>	<u>74,878</u>	<u>149,939</u>	<u>250,214</u>
	<u>29,237</u>	<u>78,098</u>	<u>149,939</u>	<u>257,274</u>

22. DEFERRED TAX LIABILITIES

	Allowance in excess of related depreciation <i>HK\$'000</i>	Losses available for offset future taxable profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2012	21,820	—	21,820
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	<u>(2,757)</u>	<u>(1,167)</u>	<u>(3,924)</u>
At 31 March 2013 and 1 April 2013	19,063	(1,167)	17,896
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 11)	<u>(3,911)</u>	<u>613</u>	<u>(3,298)</u>
At 31 March 2014 and 1 April 2014	15,152	(554)	14,598
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	<u>(721)</u>	<u>(2,057)</u>	<u>(2,778)</u>
At 31 March 2015 and 1 April 2015	14,431	(2,611)	11,820
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the period (note 11)	<u>(4,350)</u>	<u>2,611</u>	<u>(1,739)</u>
At 31 December 2015	<u>10,081</u>	<u>—</u>	<u>10,081</u>

The Group has tax losses arising in Hong Kong of HK\$19,912,000, HK\$50,189,000, HK\$44,340,000 and HK\$19,968,000 as at 31 March 2013, 2014 and 2015 and 31 December 2015 that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

23. SHARE CAPITAL

	As at 31 March			As at 31
	2013	2014	2015	December
	HK\$'000	HK\$'000	HK\$'000	2015
Issued and fully paid:				
100 ordinary shares (HK\$100)	—	—	—	—

24. RESERVES

(a) Capital contribution reserve

The capital contribution reserve represented the equity-settled share-based transactions recorded in Tysan Management Limited (“TML”). The fair value of share options granted to employees was recognised as an employee benefit expense with a corresponding increase in the capital contribution reserve, over the period during which the employees became unconditionally entitled to the options. Such reserve was reclassified to retained profits upon the disposal of TML. Further details of the disposal are disclosed in note 25 to the Financial Information.

(b) Capital reserve

At 31 March 2013, 2014 and 2015 and 31 December 2015, the capital reserve of the Group, included (i) a debit balance of HK\$29,950,000 arising from a group reorganisation on 18 April 2001; (ii) a debit balance of HK\$3,910,000 representing the excess of investment cost in a subsidiary, TMHL, of HK\$4,120,000 over the share capital of TMHL of HK\$210,000 arising from the group reorganisation on 17 September 2012 as set out in note 1(f) to the Financial Information; and (iii) a debit balance of HK\$38,235,000 representing the excess of investments cost in the Disposal Group of HK\$38,235,000 over the cash consideration of HK\$4 arising from the disposal of the Disposal Group on 17 September 2012 as set out in note (1)(f) to the Financial Information.

(c) Statutory reserve

Pursuant to the relevant laws and regulations for companies registered in Macau, a subsidiary of the Company is required to transfer a portion of its profit to a statutory reserve, until the balance of the reserve reaches 50% of the capital. The statutory reserve may be utilised by the subsidiary for certain restricted purposes.

25. DISPOSAL OF A SUBSIDIARY

During the year ended 31 March 2013, the Group disposed of its 100% equity interests in TML to THL at a cash consideration of HK\$102.

	<i>HK\$'000</i>
Net liabilities disposed of:	
Property, plant and equipment (note 14)	4,847
Trade receivables	1,929
Prepayments, deposits and other receivables	3,465
Due from fellow subsidiaries	313
Cash and bank balances	1,722
Trade payables and accruals	(13,202)
Loan from THL	<u>(8,314)</u>
	(9,240)
Gain on disposal of a subsidiary	<u>9,240</u>
	<u>—</u>

HK\$'000

Satisfied by:	
Cash consideration of HK\$102	<u>—</u>

An analysis of the net cash outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	—
Cash and bank balances disposed of	<u>(1,722)</u>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>(1,722)</u>

26. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) Save as disclosed in notes 16, 17, 21 and 25 in this report, the Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 March			Nine months ended 31 December	
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000
(Unaudited)						
Sharing of directors' remuneration on a cost basis	(i)	3,814	8,316	1,524	1,245	936
Sharing of corporate staff costs on a cost basis	(i)	11,324	22,602	14,842	12,874	10,750
Sharing of office rental expense on a cost basis	(i)	1,458	2,916	2,930	2,201	2,102
Sharing of other administrative expenses on a cost basis	(i)	3,564	6,486	3,744	3,030	4,262
Contract income from a related company, TBCCL	(ii)	—	4,000	1,386	1,386	—
Contract cost to related companies, TBCCL and Tysan Engineering (H.K.) Company Limited	(ii)	—	—	433	433	920
Contract cost to a fellow subsidiary	(iii)	3,365	—	—	—	964
Interest income from fellow subsidiaries	(iv)	629	—	—	—	—
Interest expenses to fellow subsidiaries	(v)	1,268	91	—	—	—

Notes:

- (i) The sharing of directors remuneration, corporate staff costs, office rental expense and other administrative expenses were charged by a fellow subsidiary as management fee.
- (ii) The income and expenses were charged in accordance with terms agreed between the Group and the related companies. A director and controlling shareholder of the related companies, Mr. Victor Fung, is also the director of the Company.

- (iii) The expenses were charged in accordance with terms agreed between the Group and its fellow subsidiary.
- (iv) The interest income was received in respect of amounts due from fellow subsidiaries which were interest-bearing at Hong Kong Prime Rate less 2.1% per annum, unsecured and were fully repaid during the year ended 31 March 2013.
- (v) The interest expenses were paid in respect of amounts due to fellow subsidiaries which were interest-bearing at Hong Kong Prime Rate less 1.3% per annum.

(b) An analysis of the balances with related parties is as follows:

	Notes	As at 31 March			As at 31
		2013	2014	2015	December
		HK\$'000	HK\$'000	HK\$'000	2015
					HK\$'000
Due from fellow subsidiaries	(i)	<u>—</u>	<u>8</u>	<u>155</u>	<u>293</u>
Due from THL	(ii)	<u>222,511</u>	<u>79,276</u>	<u>48,000</u>	<u>—</u>
Due to fellow subsidiaries	(i)	<u>(50,020)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loan from a related company	(iii)	<u>—</u>	<u>(32,000)</u>	<u>(32,000)</u>	<u>—</u>
Loan from THL	(iii)	<u>(80,000)</u>	<u>(48,000)</u>	<u>(48,000)</u>	<u>—</u>

Notes:

- (i) Except for an amount due to a fellow subsidiary of HK\$50,000,000 as at 31 March 2013 which bore interest at the Hong Kong Prime Rate less 1.3% per annum, balances with fellow subsidiaries were unsecured, interest-free and have no fixed terms of repayment.
- (ii) The balances with THL were unsecured, interest-free and were fully settled during the nine months ended 31 December 2015.
- (iii) The loans from THL and a related company, Fortunate Pool, were unsecured, interest-free and not repayable within twelve months from 31 March 2013, 2014 and 2015. The loans were fully settled during the nine months ended 31 December 2015.

The carrying amounts of balances with fellow subsidiaries and THL and loans from a related company and THL approximate to their fair values.

(c) Compensation of key management personnel of the Group is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2013	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Short-term employee benefits	24,669	31,599	32,834	23,956	24,677
Post-employment benefits	<u>112</u>	<u>117</u>	<u>137</u>	<u>101</u>	<u>108</u>
	<u>24,781</u>	<u>31,716</u>	<u>32,971</u>	<u>24,057</u>	<u>24,785</u>

Further details of directors' remunerations are included in note 9 to the Financial Information.

(d) Other transactions with related parties:

- (i) The Group has executed guarantees in respect of the banking facilities of certain fellow subsidiaries up to HK\$680,000,000, HK\$463,000,000, HK\$243,000,000 and HK\$143,000,000 as at 31 March 2013, 2014 and 2015 and 31 December 2015, respectively.
- (ii) THL has executed guarantees in respect of certain of the Group's banking facilities up to HK\$393,878,000, HK\$562,256,000, HK\$736,049,000 and HK\$756,365,000 as at 31 March 2013, 2014 and 2015 and 31 December 2015, respectively (note 21).
- (iii) Mr. Victor Fung has provided personal guarantees in respect of the Group's banking facilities up to nil, nil, HK\$282,376,000 and HK\$504,243,000 as at 31 March 2013, 2014 and 2015 and 31 December 2015, respectively (note 21).

27. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group sub-leased a piece of land under an operating lease arrangement, with leases negotiated for a term of three years.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating lease with its customers falling due as follows:

	As at 31 March			As at 31
	2013	2014	2015	December
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Within one year	270	280	200	—
In the second to fifth years, inclusive	<u>480</u>	<u>200</u>	<u>—</u>	<u>—</u>
	<u>750</u>	<u>480</u>	<u>200</u>	<u>—</u>

(b) As lessee

The Group leases certain of its office properties, warehouses, car parks, staff quarters and certain machinery under operating lease arrangements, with leases negotiated for terms ranging from four to thirty-six months.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at 31
	2013	2014	2015	December
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Within one year	20,329	4,320	51,537	14,708
In the second to fifth years, inclusive	<u>4,970</u>	<u>2,199</u>	<u>334</u>	<u>7,990</u>
	<u>25,299</u>	<u>6,519</u>	<u>51,871</u>	<u>22,698</u>

28. COMMITMENTS

Other than the operating lease commitments detailed in note 27 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 March			As at 31
	2013	2014	2015	December
	HK\$'000	HK\$'000	HK\$'000	2015
Contracted, but not provided for:				
Acquisition of plant and equipment	<u>—</u>	<u>3,298</u>	<u>5,385</u>	<u>—</u>

29. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, contingent liabilities not provided for in the Financial Information were as follows:

	As at 31 March			As at 31
	2013	2014	2015	December
	HK\$'000	HK\$'000	HK\$'000	2015
Guarantees given to financial institutions in connection with general credit facilities granted to fellow subsidiaries	680,000	463,000	243,000	143,000
Guarantees in respect of performance bonds	<u>342,558</u>	<u>533,068</u>	<u>573,100</u>	<u>354,328</u>
	<u>1,022,558</u>	<u>996,068</u>	<u>816,100</u>	<u>497,328</u>

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	As at 31 March			As at 31 December
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and retention receivables	701,453	758,902	1,003,977	832,806
Other receivables	3,152	8,418	8,964	11,522
Due from fellow subsidiaries	—	8	155	293
Due from THL	222,511	79,276	48,000	—
Time deposits	—	480,000	280,000	321,000
Cash and bank balances	<u>227,299</u>	<u>95,774</u>	<u>245,332</u>	<u>223,414</u>
	<u>1,154,415</u>	<u>1,422,378</u>	<u>1,586,428</u>	<u>1,389,035</u>

Financial liabilities

	As at 31 March			As at 31 December
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and retention payables and accruals	437,843	396,497	721,331	555,116
Other payables	332	573	944	838
Interest-bearing bank borrowings	51,320	29,188	15,426	257,274
Due to fellow subsidiaries	50,020	—	—	—
Loan from a related company	—	32,000	32,000	—
Loan from THL	<u>80,000</u>	<u>48,000</u>	<u>48,000</u>	<u>—</u>
	<u>619,515</u>	<u>506,258</u>	<u>817,701</u>	<u>813,228</u>

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, time deposits and interest-bearing bank borrowings. The Group has various other financial assets and liabilities such as trade and retention receivables, other receivables, trade and retention payables and accruals, other payables and balances with related companies.

It is, and has been, throughout the Relevant Periods, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in the market interest rates relates primarily to the Group's debt obligation with floating interest rates.

The interest rates of the interest-bearing bank borrowings and certain amounts due to related companies of the Group are disclosed in notes 21 and 26 to the Financial Information, respectively. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate bank borrowings) and the Group's equity.

	Increase in interest rate (%)	Decrease in profit before tax HK\$'000
Year ended 31 March 2013		
Bank borrowings	1	(513)
Due to a fellow subsidiary	1	(500)
Year ended 31 March 2014		
Bank borrowings	1	(292)
Year ended 31 March 2015		
Bank borrowings	1	(154)
Nine months ended 31 December 2015		
Bank borrowings	1	(2,573)

Foreign currency risk

The Group operates mainly in Hong Kong and Macau with most of its transactions settled in Hong Kong dollars and Patacas (currency of Macau) and therefore did not have significant exposure to foreign exchange risk during the Relevant Periods.

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

Credit risk

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The Group is not exposed to significant credit risk in relation to other financial assets such as cash and cash equivalents and balances with related companies.

Liquidity risk

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

The maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	As at 31 March 2013		
	On demand or less than 12 months HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Trade and retention payables and accruals	437,843	—	437,843
Other payables	332	—	332
Interest-bearing bank borrowings*	38,828	14,636	53,464
Due to fellow subsidiaries	50,020	—	50,020
Loan from THL	—	80,000	80,000
Guarantees given to financial institutions in connection with facilities granted to certain fellow subsidiaries	680,000	—	680,000
Guarantees in respect of performance bond facilities in relation to certain subsidiaries	342,558	—	342,558
	<u>1,549,581</u>	<u>94,636</u>	<u>1,644,217</u>

	As at 31 March 2014		
	On demand or less than		
	12 months	Over 1 year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and retention payables and accruals	396,497	—	396,497
Other payables	573	—	573
Interest-bearing bank borrowings*	24,690	5,565	30,255
Loan from a related company	—	32,000	32,000
Loan from THL	—	48,000	48,000
Guarantees given to financial institutions in connection with facilities granted to certain fellow subsidiaries	463,000	—	463,000
Guarantees in respect of performance bond facilities in relation to certain subsidiaries	<u>533,068</u>	<u>—</u>	<u>533,068</u>
	<u>1,417,828</u>	<u>85,565</u>	<u>1,503,393</u>

	As at 31 March 2015		
	On demand or less than		
	12 months	Over 1 year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and retention payables and accruals	721,331	—	721,331
Other payables	944	—	944
Interest-bearing bank borrowings*	15,869	—	15,869
Loan from a related company	—	32,000	32,000
Loan from THL	—	48,000	48,000
Guarantees given to financial institutions in connection with facilities granted to certain fellow subsidiaries	243,000	—	243,000
Guarantees in respect of performance bond facilities	<u>573,100</u>	<u>—</u>	<u>573,100</u>
	<u>1,554,244</u>	<u>80,000</u>	<u>1,634,244</u>

	As at 31 December 2015		
	On demand or less than		Total
	12 months	Over 1 year	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and retention payables and accruals	547,750	—	555,116
Other payables	838	—	838
Interest-bearing bank borrowings*	37,990	231,348	269,338
Due to fellow subsidiaries	—	—	—
Guarantees given to financial institutions in connection with facilities granted to certain fellow subsidiaries	143,000	—	143,000
Guarantees in respect of performance bond facilities	<u>354,328</u>	<u>—</u>	<u>354,328</u>
	<u>1,083,906</u>	<u>231,348</u>	<u>1,322,620</u>

* Included in interest-bearing bank borrowings are bank loans of HK\$24,506,000, HK\$15,619,000, HK\$10,303,000 and HK\$7,245,000 as at 31 March 2013, 2014 and 2015 and 31 December 2015, respectively, containing a repayment on demand clause giving the lender the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, these amounts are classified as “on demand”.

Notwithstanding the above repayment on demand clause, the directors do not believe that the bank loans will be called in its entirety within 12 months, and they consider that the bank loans will be repaid in accordance with the maturity dates as set out in the respective agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group’s compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the bank loans, the maturity terms of the bank loans are analysed into:

	As at 31 March			As at 31
	2013	2014	2015	December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	23,557	14,390	9,629	34,757
Over one year	<u>29,907</u>	<u>15,865</u>	<u>6,240</u>	<u>234,581</u>
	<u>53,464</u>	<u>30,255</u>	<u>15,869</u>	<u>269,338</u>

Capital management

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

The Group manages its capital and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. The Group's policy is to maintain the gearing ratio not more than 1. Net debt includes trade and retention payables, other payables, interest-bearing bank borrowings, amounts due to fellow subsidiaries, an amount due to THL, and loans from a related company and THL less cash and cash equivalents. Capital includes total equity of the Group.

The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 March			As at 31 December
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and retention payables	288,637	210,402	373,103	284,979
Other payables	332	573	944	838
Interest-bearing bank borrowings	51,320	29,188	15,426	257,274
Due to fellow subsidiaries	50,020	—	—	—
Loan from a related company	—	32,000	32,000	—
Loan from THL	80,000	48,000	48,000	—
Less: Time deposits	—	(480,000)	(280,000)	(321,000)
Cash and bank balances	<u>(227,299)</u>	<u>(95,774)</u>	<u>(245,332)</u>	<u>(223,414)</u>
Net debt	<u>243,010</u>	<u>(255,611)</u>	<u>(55,859)</u>	<u>(1,323)</u>
Total equity	<u>312,158</u>	<u>441,255</u>	<u>392,752</u>	<u>134,124</u>
Gearing ratio	<u>77.8%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

32. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

Information about the statements of financial position of the Company at the end of each of the Relevant Periods is as follows:

	As at 31 March			As at 31 December
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS				
Interests in subsidiaries	<u>81,165</u>	<u>161,165</u>	<u>161,165</u>	<u>181,165</u>
CURRENT ASSETS				
Prepayments and other receivables	—	—	—	2
Due from subsidiaries	28,269	171,494	62,039	107,121
Due from a fellow subsidiary	—	—	151	293
Due from THL	104,255	79,276	48,000	—
Time deposit	—	75,000	—	20,000
Bank balances	<u>104</u>	<u>1,735</u>	<u>14,288</u>	<u>30,520</u>
Total current assets	<u>132,628</u>	<u>327,505</u>	<u>124,478</u>	<u>157,936</u>
CURRENT LIABILITIES				
Accruals	950	876	156	8,789
Due to subsidiaries	212,358	407,417	204,295	72,304
Interest-bearing bank borrowings	<u>—</u>	<u>—</u>	<u>—</u>	<u>24,848</u>
Total current liabilities	<u>213,308</u>	<u>408,293</u>	<u>204,451</u>	<u>105,941</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>(80,680)</u>	<u>(80,788)</u>	<u>(79,973)</u>	<u>51,995</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
	<u>485</u>	<u>80,377</u>	<u>81,192</u>	<u>233,160</u>
NON-CURRENT LIABILITIES				
Loan from a related company	—	32,000	32,000	—
Loan from THL	—	48,000	48,000	—
Interest-bearing bank borrowings	<u>—</u>	<u>—</u>	<u>—</u>	<u>224,817</u>
Total non-current liabilities	<u>—</u>	<u>80,000</u>	<u>80,000</u>	<u>224,817</u>

	As at 31 March			As at 31
	2013	2014	2015	December
	HK\$'000	HK\$'000	HK\$'000	2015
Net assets	<u>485</u>	<u>377</u>	<u>1,192</u>	<u>8,343</u>
EQUITY				
Share capital	—	—	—	—
Retained profits (note)	<u>485</u>	<u>377</u>	<u>1,192</u>	<u>8,343</u>
Total equity	<u>485</u>	<u>377</u>	<u>1,192</u>	<u>8,343</u>

Note:

The movement of the Company's retained profits is as follows:

	<i>HK\$'000</i>
At 1 April 2012	564
Loss for the year and total comprehensive expense for the year	<u>(79)</u>
At 31 March 2013 and 1 April 2013	485
Loss for the year and total comprehensive expense for the year	<u>(108)</u>
At 31 March 2014 and 1 April 2014	377
Profit for the year and total comprehensive income for the year	310,815
2014 final dividend paid	(250,000)
2015 interim dividend paid	<u>(60,000)</u>
At 31 March 2015 and 1 April 2015	1,192
Profit for the period and total comprehensive income for the period	467,151
2015 final dividend paid	(290,000)
2016 interim dividend paid	<u>(170,000)</u>
At 31 December 2015	<u>8,343</u>

III. EVENTS AFTER THE REPORTING PERIOD

On 19 April 2016, THL, Fortunate Pool and Mr. Victor Fung have entered into a sales and purchase agreement pursuant to which THL has conditionally agree to purchase 40% equity interests in the Company at a cash consideration of HK\$836,790,000 from Fortunate Pool. Details are set out in the section headed “Letter from the Board” in the Circular.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TFHK GROUP

Set out below is the management discussion and analysis of the TFHK Group for the three years ended 31 March 2015 and the nine months ended 31 December 2015.

BUSINESS OVERVIEW

TFHK is a market leading foundation company in Hong Kong primarily specialising in bored piles works. It is principally engaged in a wide range of foundation and related works, including but not limited to bored piling, percussive H-piling, socket H-piling and mini-piling, excavation and lateral support works, pile cap, substructure and basement construction, footing works, site formation, ground investigation, landslip preventive and slope works and demolition, in public and/or private sectors. During the years ended 31 March 2013, 2014 and 2015 and the nine months ended 31 December 2015 (the “Relevant Periods”), the TFHK Group undertook foundation projects in Hong Kong and Macau.

Revenue

The revenue for the TFHK Group represents the revenue recognised from foundation piling contracts and related works, including site investigation, after elimination of all significant intragroup transactions. The TFHK Group generally submits progress payment applications to its customers monthly and its customers certify the value of works completed before payment. The final payment is generally settled after the completion of works. The TFHK Group’s revenue fluctuated during the Relevant Periods depending on the number and size of foundation and related works projects undertaken and the construction progress of those projects undertaken during the respective year/period.

The TFHK Group’s revenue was HK\$2,896.0 million, HK\$2,471.2 million, HK\$3,752.2 million and HK\$2,844.2 million and HK\$2,404.5 million for the three years ended 31 March 2013, 2014 and 2015 and nine months ended 31 December 2014 and 2015, respectively.

The TFHK Group’s revenue decreased by approximately HK\$424.8 million or 14.7% from approximately HK\$2,896.0 million for the year ended 31 March 2013 to approximately HK\$2,471.2 million for the year ended 31 March 2014, primarily due to the substantial completion of five major foundation works projects in both the public and private sectors with approximately over 70% of their respective total contract sums already recognised as revenue for the year ended 31 March 2013, in particular for the sizable Galaxy Resort Phase 2 project in Macau. The TFHK Group’s revenue subsequently increased by approximately HK\$1,281.0 million or 51.8% to approximately HK\$3,752.2 million for the year ended 31 March 2015, primarily due to the increase in the number of foundation works projects with revenue contribution of more than HK\$100 million from eight for the year ended 31 March 2014 to 16 for the year ended 31 March 2015.

For the nine months ended 31 December 2014 and 2015, the TFHK Group's revenue decreased by approximately HK\$439.7 million or 15.5% from approximately HK\$2,844.2 million for the nine months ended 31 December 2014 to approximately HK\$2,404.5 million for the nine months ended 31 December 2015, primarily due to a decrease in revenue from Macau projects and decrease in contract sum of newly awarded projects in Hong Kong.

Cost of sales

Cost of sales primarily consists of (i) subcontracting fees in relation to foundation and related works projects; (ii) raw material costs; (iii) direct labour and project management costs; (iv) machinery rental and related costs; and (v) site overheads and other related expenses including depreciation and operating expenses. Our cost of sales amounted to approximately HK\$2,805.2 million, HK\$2,273.5 million, HK\$3,435.8 million, HK\$2,512.3 million and HK\$2,129.3 million for each of the three years ended 31 March 2013, 2014 and 2015 and the nine months ended 31 December 2014 and 2015, respectively.

Gross profit

The gross profit and gross profit margin of the TFHK Group's foundation and related works projects are dependent on factors such as whether the projects can be completed within the budgeted costs which in turn may be affected by a variety of factors, including unexpected geological conditions, project delays or latent defects. Therefore, the gross profit margins for each of the projects differs. A higher gross profit margin can generally be expected for foundation and related works projects with higher technical difficulty. Gross profit and gross profit margin are, therefore, to a certain extent, dependent on the actual circumstances in the course of implementation of each individual foundation works project.

The TFHK Group's gross profits were approximately HK\$90.8 million, HK\$197.7 million, HK\$316.4 million, HK\$331.9 million and HK\$275.2 million for the three years ended 31 March 2013, 2014, 2015 and nine months ended 31 December 2014 and 2015, respectively, and the gross profit margin of the TFHK Group for the respective year/period were approximately 3.1%, 8.0%, 8.4%, 11.7% and 11.4%, respectively.

The TFHK Group's gross profit increased by approximately HK\$106.9 million, or 117.7%, from approximately HK\$90.8 million for the year ended 31 March 2013 to approximately HK\$197.7 million for the year ended 31 March 2014, and the gross profit margin also increased from 3.1% for the year ended 31 March 2013 to 8.0% for the year ended 31 March 2014. The TFHK Group recorded an exceptionally low gross profit margin for the year ended 31 March 2013, primarily due to an aggregate amount of project loss of HK\$73.9 million incurred by loss-making projects in the private sector during the year ended 31 March 2013 for which actual time taken and costs incurred exceeded its estimation for reasons including (i) unexpected geological conditions underground in work sites; (ii) extension of project time requested by its customers; and (iii) certain other unforeseen circumstances that delayed the TFHK Group's work progress.

The TFHK Group's gross profit increased by approximately HK\$118.7 million, or approximately 60.0%, from approximately HK\$197.7 million for the year ended 31 March 2014 to approximately HK\$316.4 million for the year ended 31 March 2015, which was in line with the increase in its revenue. The gross profit margin remained largely stable at approximately 8.0% for the year ended 31 March 2014 and approximately 8.4% for the year ended 31 March 2015.

The TFHK Group's gross profit decreased by approximately HK\$56.7 million, or 17.1%, from approximately HK\$331.9 million for the nine months ended 31 December 2014 to approximately HK\$275.2 million for the nine months ended 31 December 2015, whilst the gross profit margin for the nine months ended 31 December 2014 was 11.7% compared to 11.4% for the nine months ended 31 December 2015, remaining relatively stable. Such slight decrease in gross profit and gross profit margin was primarily due to the decreases in subcontracting fee, raw material costs and site overheads and other related expenses, partially offset by the increases in direct labour and project management costs, and machinery rental and related costs.

Profit for the year/period

The TFHK Group's profit for the year/period were approximately HK\$38.0 million, HK\$129.1 million, HK\$261.5 million, HK\$278.8 million and HK\$201.4 million for the three years ended 31 March 2013, 2014, 2015 and nine months ended 31 December 2014 and 2015, respectively. The trend in the TFHK Group's profit for the respective year/period is generally in line with that of its gross profit.

Net profit margin

The TFHK Group's net profit margin, calculated by profit for the year or period divided by the revenue for the respective year or period and multiplied by 100.0%, was approximately 1.3%, 5.2%, 7.0% and 8.4% for each of the three years ended 31 March 2013, 2014 and 2015, and for the nine months ended 31 December 2015, respectively. The net profit margin showed steady improvement, benefiting from the continuous growth in its business during the Relevant Period.

Business Outlook

The TFHK Group expects the foundation piling industry in Hong Kong to stay healthy in the near future. Although there is more intense market competition due to the listing of several contractors with operations of a smaller scale, the TFHK Group believes that larger contractors with more established reputation and more advanced technical capabilities will maintain their competitiveness because of an increase in the number of projects requiring sophisticated technology in Hong Kong's foundation industry.

As of 31 December 2015, the TFHK Group had 18 projects on hand with a total contract sum in the amount of approximately HK\$3,947.4 million. From 1 January 2016 to 31 March 2016, the TFHK Group was awarded four projects with a total contract sum of approximately HK\$687.1 million.

LIQUIDITY AND FINANCIAL RESOURCES

Interest-bearing bank borrowings

The following table sets out the breakdown of the TFHK Group's borrowings as at 31 March 2013, 2014, 2015 and 31 December 2015:

	As at 31 March			As at 31
	2013	2014	2015	December
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Current				
Unsecured bank loans	16,885	9,923	5,486	25,397
Secured bank loans	<u>20,175</u>	<u>13,780</u>	<u>9,940</u>	<u>7,060</u>
	<u>37,060</u>	<u>23,703</u>	<u>15,426</u>	<u>32,457</u>
Non-current				
Unsecured bank loans	<u>14,260</u>	<u>5,485</u>	<u>—</u>	<u>224,817</u>
	<u>51,320</u>	<u>29,188</u>	<u>15,426</u>	<u>257,274</u>

The following table sets out the maturity profile of the TFHK Group's bank borrowings as at 31 March 2013, 2014 and 2015 and 31 December 2015:

	As at 31 March			As at 31
	2013	2014	2015	December
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Within one year or on demand	37,060	23,703	15,426	32,457
In the second year	8,775	5,485	—	74,878
In the third to fifth years, inclusive	<u>5,485</u>	<u>—</u>	<u>—</u>	<u>149,939</u>
	<u>51,320</u>	<u>29,188</u>	<u>15,426</u>	<u>257,274</u>

The TFHK Group's total outstanding bank borrowings amounted to approximately HK\$257.3 million as at 31 December 2015. As at 31 December 2015, all of the bank borrowings were denominated in HK\$ and bore interest at floating interest rates. The TFHK Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

CAPITAL STRUCTURE

The TFHK Group manages its capital and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the TFHK Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the nine months ended 31 December 2015. The TFHK Group uses the gearing ratio to monitor and evaluate its capital structure, which is calculated by dividing net debt by total equity. The gearing ratio as at 31 March 2015 and 31 December 2015 was nil and nil, respectively, as the TFHK Group did not have any net debt.

SIGNIFICANT ACQUISITION AND INVESTMENT

For the six months ended 31 December 2015, the TFHK Group held no significant investments and there were no acquisitions and disposals of subsidiaries and associated companies.

BUSINESS STRATEGIES AND FUTURE INVESTMENTS

As at 31 December 2015, the TFHK Group did not have other material business and investment plans.

BORROWING FACILITIES COMMITMENT

As at 31 December 2015, the TFHK Group had entered into revolving loan agreements with six banks with total facility limit of approximately HK\$1,023.0 million, one secured and two unsecured term loan agreements of outstanding balance of approximately HK\$7.1 million and HK\$250.2 million respectively.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2015, the TFHK Group employed 918 (excluding directors) full-time employees in Hong Kong and the total remuneration paid to the full-time employees (excluding directors) was HK\$346.9 million for the nine months ended 31 December 2015.

The remuneration package for the employees generally includes salary and discretionary bonuses. The employees also receive welfare benefits, including retirement benefits, occupational injury insurance and other miscellaneous items. Annual review of the performance of the employees is conducted for determining the level of bonus, salary adjustment and promotion. The directors of TFHK would also conduct research on the remuneration packages offered for similar positions in the Hong Kong construction industry in order to keep our remuneration packages at a competitive level.

Education and training is also provided to existing employees on various aspects including advanced knowledge and skills on machinery operation, work safety and quality control on a continuing basis. The directors of TFHK consider that training programs can increase the employees' overall efficiency and help to retain quality employees.

CHARGE ON ASSETS

As at 31 December 2015, two of the bank loan agreements with facility amounts of HK\$17.3 million and HK\$224.0 million were secured by 15 sets and 6 sets of the machineries of the TFHK Group, respectively, and all of which have carrying amounts of nil. In case of defaults, the relevant banks would be entitled to have a charge over the sales proceeds of the relevant machineries.

CONTINGENT LIABILITIES

At the end of 31 March 2013, 2014 and 2015 and 31 December 2015, contingent liabilities not provided for in the financial information were as follows:

	As at 31 March			As at 31 December
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to financial institutions in connection with general credit facilities granted to fellow subsidiaries	680,000	463,000	243,000	143,000
Guarantees in respect of performance bonds	<u>342,558</u>	<u>533,068</u>	<u>573,100</u>	<u>354,328</u>
	<u>1,022,558</u>	<u>996,068</u>	<u>816,100</u>	<u>497,328</u>

FOREIGN EXCHANGE RISK

Other than limited exposure in Macanese Patacas (the currency of Macau) for the two projects practically completed in Macau in January 2014, the TFHK Group operates mainly in Hong Kong with most of our transactions settled in HK\$. As such, the TFHK Group did not have significant exposure to foreign exchange risk for the nine months ended 31 December 2015.

The TFHK Group's management monitors and evaluates its currency exposure on an on-going basis and may consider entering into forward currency contracts as the need arises.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

Introduction

The following is an illustrative and unaudited pro forma statement of financial position of Tysan Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) upon completion of the acquisition of 40% equity interest in Tysan Foundation (Hong Kong) Limited (the “Target Company”) (the “Foundation Transaction”) (the “Unaudited Pro Forma Financial Information”) which has been prepared by the directors of the Company on the basis as set out in the notes below and in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the purpose of illustrating the effects of the Foundation Transaction on the financial information of the Group, assuming the Foundation Transaction had been completed as at 30 September 2015.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2015 as extracted from the published interim report of the Group for the six months ended 30 September 2015.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group had the Foundation Transaction been completed as at 30 September 2015 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, the financial information of the Target Company and its subsidiaries as set out in Appendix II to this circular and other financial information included elsewhere in this circular.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE GROUP

	The Group as at 30 September 2015 HK\$'000 Note (1)	Pro forma adjustments HK\$'000	<i>Notes</i>	Pro forma: The Group as at 30 September 2015 HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	360,916			360,916
Investment properties	313,128			313,128
Interests in associates	—			—
Interests in subsidiaries	—	836,790	(2)	—
		(836,790)	(3)	
Other assets	1,350			1,350
Available-for-sale investment	1,219			1,219
Prepayments, deposits and other receivables	2,638			2,638
Deferred tax assets	44,422			44,422
	<u>723,673</u>			<u>723,673</u>
Total non-current assets				
CURRENT ASSETS				
Properties under development	1,423,668			1,423,668
Inventories	24,388			24,388
Properties held for sale	447,307			447,307
Amounts due from customers for contract works	159,144			159,144
Trade receivables	770,005			770,005
Prepayments, deposits and other receivables	106,121			106,121
Tax prepaid	64			64
Time deposits	1,120,390	(836,790)	(2)	279,164
		(4,436)	(4)	
Cash and bank balances	297,336			297,336
	<u>4,348,423</u>			<u>3,507,197</u>
Assets of a disposal group held for sale	<u>375,402</u>			<u>375,402</u>
Total current assets	<u>4,723,825</u>			<u>3,882,599</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

	The Group as at 30 September 2015 HK\$'000 Note (1)	Pro forma adjustments HK\$'000	<i>Notes</i>	Pro forma: The Group as at 30 September 2015 HK\$'000
CURRENT LIABILITIES				
Trade payables and accruals	808,036			808,036
Other payables, deposits received and receipts in advance	27,305			27,305
Amounts due to customers for contract works	628,267			628,267
Deposits received	163,416			163,416
Interest-bearing bank borrowings	139,071			139,071
Tax payable	<u>215,601</u>			<u>215,601</u>
	1,981,696			1,981,696
Liabilities directly associated with a disposal group classified as held for sale	<u>87,175</u>			<u>87,175</u>
Total current liabilities	<u>2,068,871</u>			<u>2,068,871</u>
NET CURRENT ASSETS	2,654,954			1,813,728
TOTAL ASSETS LESS CURRENT LIABILITIES	3,378,627			2,537,401
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	397,363			397,363
Deferred tax liabilities	<u>160,041</u>			<u>160,041</u>
Total non-current liabilities	<u>557,404</u>			<u>557,404</u>
Net assets	<u>2,821,223</u>			<u>1,979,997</u>
EQUITY				
Equity attributable to ordinary equity holders of the Company				
Capital	87,466			87,466
Reserves	2,636,245	(740,663)	(3)	1,891,146
	<u> </u>	(4,436)	(4)	<u> </u>
	2,723,711			1,978,612
Non-controlling interests	<u>97,512</u>	(96,127)	(3)	<u>1,385</u>
	<u>2,821,223</u>			<u>1,979,997</u>

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2015 included in the published interim report of the Group for the six months ended 30 September 2015 dated 27 November 2015.
2. The adjustment represents the investment cost of HK\$836,790,000 for the acquisition of 40% equity interests in the Target Company to be satisfied by cash. The obligations of the parties to effect the Foundation Transaction shall be conditional upon completion of the sale and purchase of approximately 66% equity interest in the Company in accordance with the sale and purchase agreement dated 19 April 2016 and entered into between Tides Holdings II Ltd (as vendor) and HNA Finance I Co., Ltd (as offerer) (the “Tides Transaction”).

Pursuant to the terms and conditions of the sale and purchase agreement dated 19 April 2016 entered into among the Company (as the purchaser), Fortunate Pool Limited (as the vendor) and Mr. Fung Chiu Chak, Victor (as the guarantor) in relation to the acquisition of 40% equity interest in the Target Company by 2 phases, the aggregate cash consideration for the Foundation Transaction amounts to HK\$836,790,000, representing (a) HK\$732,192,000 (the “Phase 1 Consideration”) for acquisition of 35% equity interest in the Target Company (the “Phase 1 Sale Shares”); and (b) HK\$104,598,000 (the “Phase 2 Consideration”) for acquisition of remaining 5% equity interest in the Target Company (the “Phase 2 Sale Shares”) within 12 months from the date of completion of the Tides Transaction.

Total consideration will be satisfied in cash by the Company in the following manner:

- (i) HK\$549,144,000 being 75% of the Phase 1 Consideration, shall be paid by the Company to Fortunate Pool Limited on Phase 1 Completion, i.e. on the date of completion of the Tides Transaction;
 - (ii) HK\$183,048,000, being 25% of the Phase 1 Consideration, shall be paid by the Company to Fortunate Pool Limited within (a) 30 days from the first closing date of the possible mandatory unconditional cash offer to be made by CCB International Capital Limited on behalf of HNA Finance I Co., Ltd to acquire all the issued shares of the Company not already owned by HNA Finance I Co., Ltd and any persons acting in concert with HNA Finance I Co., Ltd or (b) 58 days from the completion of the Tides Transaction, whichever is the earlier;
 - (iii) HK\$104,598,000, being the entire Phase 2 Consideration, shall be paid by the Company to Fortunate Pool Limited on Phase 2 Completion, i.e. a date within 12 months from the date of completion of the Tides Transaction.
3. Upon completion of the Foundation Transaction, the Target Company will become a wholly-owned subsidiary of the Company. As the Foundation Transaction does not result in any change in control by the Company over the Target Company, the Company’s changes in equity interest in the Target Company arose from the Foundation Transaction is accounted for as an equity transaction. The adjustment represents consolidation entry for the elimination of investment cost of HK\$836,790,000 against the carrying amount of the 40% non-controlling interest of the Target Company of HK\$96,127,000 as at 30 September 2015 and the excess amount of HK\$740,663,000 is debited to the reserves under equity.

Since the carrying amount of the 40% non-controlling interest of Target Company at the completion date may be substantially different from the amount presented above, the difference between the investment cost and the carrying amount of the 40% non-controlling interest of the Target Company may be different from the amount presented above and the difference may be significant.

4. The adjustment represents acquisition-related costs, which consist of mainly the professional fees directly attributable to the Foundation Transaction, of approximately HK\$4,436,000, being deducted from the reserves under equity.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

5. The Company has adopted an incentive scheme in favour of its Directors and the Group's senior management. A term of this incentive scheme is that in the event there is change in control of the Company, unvested rights in this incentive scheme will vest immediately and no further grants will be made but an aggregate payment will be made to participants in that incentive scheme equal to 4.5% of the value of the Company. The completion of the Tides Transaction will trigger an aggregate payment of approximately HK\$197.98 million under the incentive scheme which will be determined at the completion date of the Tides Transaction. The payment of approximately HK\$197.98 million under the incentive scheme is not reflected in the Unaudited Pro Forma Financial Information of the Group.

6. Apart from the Foundation Transaction, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2015.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group as set out in Section A of Appendix III to this Circular.



22/F
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

To The Directors of Tysan Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tysan Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 September 2015 and related notes as set out on pages III-1 to III-5 of the circular dated 23 May 2016 (the “Circular”) issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages III-1 to III-5 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of 40% equity interest in Tysan Foundation (Hong Kong) Limited by the Company (the “Foundation Transaction”) on the Group’s financial position as at 30 September 2015 as if the Foundation Transaction had taken place as at 30 September 2015. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2015, on which an interim report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Foundation Transaction on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young*Certified Public Accountants*

Hong Kong

23 May 2016

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally 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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.

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

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

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company 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.

Interests in associated corporations of the Company

Name of Director	Name of associated corporation	Number of ordinary shares held and	Nature of interest	Percentage of the associated corporation's share capital (%)
Mr. Fung	TFHK	40	Corporate ⁽¹⁾	40.00

Note:

- (1) These TFHK Shares were held by Fortunate Pool, a company which was wholly-owned by Mr. Fung as at the Latest Practicable Date.

(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, so far as is known to the Directors, the persons (other than a Director and chief executive of the Company) or entities who had or were deemed or taken to have 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 5% 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:

Interests in Shares and underlying Shares

Name	Number of Shares held	Percentage of issued share capital of the Company (%)
Blackstone Group Management L.L.C. ⁽¹⁾	655,999,427	75.00
Blackstone Holdings IV GP L.P. ⁽¹⁾	655,999,427	75.00
Blackstone Holdings IV GP Management (Delaware) L.P. ⁽¹⁾	655,999,427	75.00
Blackstone Holdings IV GP Management L.L.C. ⁽¹⁾	655,999,427	75.00
Blackstone Holdings IV L.P. ⁽¹⁾	655,999,427	75.00
Blackstone Real Estate Associates Asia-NQ L.P. ⁽¹⁾	655,999,427	75.00
Blackstone Real Estate Partners Asia Holding (NQ) L.P. ⁽¹⁾	655,999,427	75.00
Blackstone Real Estate Partners Asia-NQ L.P. ⁽¹⁾	655,999,427	75.00
BREP Asia Holdings (NQ) Pte. Ltd. ⁽¹⁾	655,999,427	75.00
BREP Asia-NQ L.L.C. ⁽¹⁾	655,999,427	75.00
Schwarzman Stephen A. ⁽¹⁾	655,999,427	75.00
The Blackstone Group L.P. ^{(1) (3)}	655,999,427	75.00
Tides Holdings I Ltd. ⁽¹⁾	655,999,427	75.00
Tides Holdings II Ltd. ^{(1) (3)}	655,999,427	75.00
8007748 Canada Inc.	73,044,520	8.35
Air Canada Pension Master Trust Fund ⁽²⁾	73,044,520	8.35

Notes:

1. These parties were deemed to have interests in 655,999,427 Shares by virtue of their equity interests in Tides Holdings II Ltd..
2. This party was deemed to have interests in 73,044,520 Shares by virtue of its equity interests in 8007748 Canada Inc..
3. The non-executive Directors, namely Mr. Wang Tianbing, Mr. Stuart Morrison Grant, Mr. Justin Wai and Mr. Law Yiu Fat Richard, were nominated onto the Board by Tides Holdings II Ltd.. They are also employees of a wholly owned subsidiary of The Blackstone Group L.P..

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director and chief executive of the Company) had or was deemed or taken to have 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 was, directly or indirectly, interested in 5% 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 AGREEMENTS

In connection with the Foundation SPA, at the time of Phase 1 Completion, the Company, TFHK and Mr. Fung will enter into the Fung's Service Agreement, pursuant to which (but subject to the approval of the remuneration committee of the Company and the relevant requirements under the Listing Rules and the bye-laws of the Company) Mr. Fung will be appointed as the Chief Executive Officer and an executive Director of the Company and will remain as a director of TFHK for a period of 18 months after Phase 1 Completion (or for such longer period as Mr. Fung and the Company may agree). Under the Fung's Service Agreement, Mr. Fung's emoluments (including salary, bonuses and other benefits) will be increased by 15% as compared with his emoluments in effect on 1 April 2016. The Fung's Service Agreement also contain non-compete and non-solicitation provisions, which will continue for a period of 12 months after termination or expiry of the Fung's Service Agreement.

Each of the executive Directors is entitled to payments under the Management Incentive Scheme in the event that his employment is terminated by the Company without cause or in the case that the executive Director resigns on the basis that he has been prevented by the Company from performing his obligations as an executive Director of the Company. In these circumstances, their entitlements, if any, will vest immediately. In the event their employment is terminated due to death, permanent disability or retirement or as a result of the sale of a business unit such executive Director is no longer part of the Group, their entitlements under the Management Incentive Scheme, if any, shall continue to vest according to the vesting schedule of the Management Incentive Scheme.

Save as disclosed above, 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 any compensation (other than statutory compensation).

4. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

Save for Mr. Fung's interest in the Foundation SPA, since 31 March 2015, being the date to which the latest published accounts of the Company were made up, no Director was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group, and no Director was 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.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, since 31 March 2015, being the date to which

the latest published accounts of the Company were made up, no Directors and their respective close associates were considered to have any interests in businesses (apart from businesses of the Group) which competed or were likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

5. LITIGATION

As 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 CONTRACTS

As at the Latest Practicable Date, the following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years preceding the Latest Practicable Date and which are material:-

- (1) the Foundation SPA dated 19 April 2016 entered into between the Company as purchaser, Fortunate Pool as vendor and Mr. Fung as a guarantor in relation to the Foundation Transaction for an aggregate consideration of HK\$836,790,400; and
- (2) Master agreement dated 3 November 2014 entered into among TFHK, Tysan Engineering Company Limited (owned as to 78% by Mr. Fung), Proficiency Equipment Limited (a wholly-owned subsidiary of the Company) and Tysan Building Construction Company Limited (indirectly wholly-owned by Mr. Fung) to regulate the business relationship and subcontracting of foundation works, building construction works, electrical and mechanical engineering works, and rental and engineering work relating to tower cranes among them (including their subsidiaries).

7. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given advice, letters or opinions for incorporation and as contained in this circular:

Name	Qualifications
Anglo Chinese Corporate Finance, Limited	a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Ernst & Young	Certified public accountants

As at the Latest Practicable Date, each of the Independent Financial Adviser and Ernst & Young had no 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.

As at the Latest Practicable Date, each of the Independent Financial Adviser and Ernst & Young had no direct or indirect interests in any assets which have been, since 31 March 2015, being the date to which the latest published audited consolidated financial statement of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the Independent Financial Adviser and Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 23 May 2016 and references to its name in the form and context in which they are included.

8. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.
- (c) The qualified accountant of the Company is Ms. 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 Ms. 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

9. 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 Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong for a period of 14 days from the date of this circular:

- (1) the memorandum of association and bye-laws of the Company;

- (2) 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 22 to 41 of this circular;
- (3) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this circular;
- (4) the written consents given by the Independent Financial Adviser and Ernst & Young as referred to in the paragraph 7 of this appendix;
- (5) the accountants' report on TFHK Group as set out in Appendix II of this circular;
- (6) the report from Ernst & Young on unaudited pro forma financial information of the Group as set out in Appendix III of this circular;
- (7) the annual reports of the Company for the three years ended 31 March 2013, 2014 and 2015;
- (8) the material contracts referred to in paragraph 6 of this appendix; and
- (9) 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 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong on Tuesday, 7 June 2016 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. “(a) the conditional sale and purchase agreement dated 19 April 2016 (the “**Foundation SPA**”, a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purposes of identification), entered into between the Company as the purchaser and Fortunate Pool Limited as the vendor and Mr. Fung Chiu Chak Victor (“**Mr. Fung**”) as the guarantor for, amongst other things, the acquisition of 40% issued shares of Tysan Foundation (Hong Kong) Limited for an aggregate consideration of HK\$836,790,400 be approved, confirmed and ratified, as the case may be; and

(b) any one or more of the directors of the Company (other than Mr. Fung) be authorised, for and on behalf of the Company, to take all steps necessary or expedient in his/their opinion to approve and implement and/or give effect to the Foundation SPA and the respective transactions contemplated thereunder, including, among other things, to sign and deliver for and on behalf of the Company any and all documents necessary or desirable for giving effect to such agreements, of making non-material amendments thereto but including the authority to waive any conditions (save where they are stated not capable of being waived) and the authority to amend the time by which completions of such agreements are to take place.”

By order of the Board
TYSAN HOLDINGS LIMITED
LAU KIN FAI
Executive Director

Hong Kong, 23 May 2016

NOTICE OF SGM

Head office and principal place

of business in Hong Kong:

20th Floor, One Island South

No. 2 Heung Yip Road

Wong Chuk Hang

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/her proxy to attend and vote instead of him/her. 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 or proxies at the meeting provided that, if more than one person is so authorised, the authorisation or proxy form shall specify the number and class of shares in respect of which each such person is so authorised.
3. To be valid, the form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy of that power of attorney or authority, must be deposited with the Company’s principal place of business in Hong Kong at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, 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 form of proxy 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. Each of the ordinary resolutions set out above will be determined by way of a poll.