



# TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2003

### RESULTS

The Board of Directors is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2003 together with the comparative figures as follows:

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
<b>TURNOVER</b>		1,225,451	1,500,079
Cost of sales		(1,143,424)	(1,368,308)
<b>Gross profit</b>		82,027	131,771
Other revenue and gains	3	20,791	9,622
Selling expenses		(1,990)	(4,856)
Administrative expenses		(30,617)	(34,443)
Surplus arising from revaluation of investment properties		16,550	1,440
Provision for impairment of fixed assets		—	(10,187)
Other operating expenses		(4,852)	(10,216)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	4	81,909	83,131
Finance costs	5	(12,480)	(20,910)
Share of profits and losses of associates		27	(8)
<b>PROFIT BEFORE TAX</b>		69,456	62,213
Tax	6	(18,565)	(16,733)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		50,891	45,480
Minority interests		(35,391)	(25,966)
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		15,500	19,514
<b>DIVIDENDS</b>	7		
Interim		—	2,927
Proposed final		—	2,927
		—	5,854
<b>EARNINGS PER SHARE</b>	8		
Basic		2.12 cents	2.67 cents
Diluted		2.12 cents	N/A

### Notes:

1. **Impact of new and revised Hong Kong Statements of Standard Accounting Practice**

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

The adoption of SSAP 1 (revised), SSAP 11 (revised) and SSAP 15 (revised) has no material effect on the accounts except for certain presentational changes. The adoption of SSAP 34 has resulted in HK\$4,349,000 and HK\$5,095,000 being included in the balance of the Group's accruals in respect of the paid leave carried forward as at 31 March 2003 and 2002, respectively. As a consequence, the consolidated net profits attributable to shareholders for the years ended 31 March 2003 and 2002 have been increased by HK\$746,000 and decreased by HK\$726,000, respectively, and consolidated retained profits at 1 April 2002 and 2001 have been reduced by HK\$5,095,000 and HK\$4,369,000, respectively.

### 2. Segment information

(a) **Business segments**

	Foundation piling		EAM engineering and building construction		Machinery leasing and trading		Property investment and management		Property development		Unaffiliated		Elimination		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Segment revenue:																
Sales to external customers	630,639	1,006,791	363,311	294,521	19,451	24,110	87,531	90,654	126,579	74,023	—	—	—	—	1,225,451	1,500,079
Intersegment sales	1,788	—	—	—	4,138	20,190	600	600	—	—	—	—	(6,520)	(20,820)	—	—
<b>Total</b>	<b>632,427</b>	<b>1,006,791</b>	<b>363,311</b>	<b>294,521</b>	<b>23,589</b>	<b>44,300</b>	<b>88,131</b>	<b>91,254</b>	<b>126,579</b>	<b>74,023</b>	<b>—</b>	<b>—</b>	<b>(6,520)</b>	<b>(20,820)</b>	<b>1,225,451</b>	<b>1,500,079</b>
Segment results	31,842	75,240	16,138	13,206	(9,090)	(16,816)	5,242	16,951	18,145	4,385	(29,391)	(35,315)	—	—	80,267	81,859
Interest income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,620	1,260
Dividend income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2	11
Profit from operating activities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	81,909	83,131
Finance costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(12,480)	(20,910)
Share of profits and losses of associates	—	—	—	—	—	—	—	—	—	—	—	—	—	—	27	(8)
Profit before tax	—	—	—	—	—	—	—	—	—	—	—	—	—	—	69,456	62,213
Tax	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(18,565)	(16,733)
Profit before minority interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	50,891	45,480
Minority interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(35,391)	(25,966)
Net profit from ordinary activities attributable to shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	15,500	19,514

(b) **Geographical segments**

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2003	2002	2003	2002	2003	2002
Segment revenue:						
Sales to external customers	1,013,481	1,338,595	211,970	161,484	1,225,451	1,500,079

3. **Other revenue and gains**

	2003 HK\$'000	2002 HK\$'000
Interest income on bank deposits	1,620	1,261
Insurance claims	427	1,965
Exchange gains, net	—	166
Gain on disposal of fixed assets	7,694	—
Gain on disposal of an associate	6	—
Gain on sale of steel scrap	1,390	—
Refund of provident fund contributions	1,810	—
Unrealised holding gains on short term listed investments	7	48
Negative goodwill recognised as income during the year	3,793	3,794
Others	4,044	2,388
	20,791	9,622

### 4. Profit from operating activities

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

	2003 HK\$'000	2002 HK\$'000
Goodwill:		
Amortisation for the year	1,031	1,032
Impairment arising during the year	—	4,550
Depreciation	80,926	94,349
Dividend income from listed investments	(2)	(11)

5. **Finance costs**

	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	15,928	20,958
Interest on other loans	82	427
Interest on finance leases	1,005	1,688
Total interest	17,015	23,073
Less: Interest capitalised in properties under development	(4,535)	(2,163)
	12,480	20,910

6. **Tax**

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere in the PRC have been calculated at the applicable tax rates prevailing in the areas in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Provision for tax in respect of profit for the year:

PRC:	2003 HK\$'000	2002 HK\$'000
Hong Kong	4,322	2,550
Elsewhere	12,709	11,166
Underprovision/(overprovision) in the prior year:		
PRC:		
Hong Kong	(10)	(210)
Elsewhere	419	(138)
Deferred tax	17,440	13,368
	1,125	3,365
	18,565	16,733

7. **Dividends**

	2003 HK\$'000	2002 HK\$'000
Interim — Nil (2002: 0.4 HK cent) per ordinary share	—	2,927
Proposed final — Nil (2002: 0.4 HK cent) per ordinary share	—	2,927
	—	5,854

8. **Earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$15,500,000 (2002: HK\$19,514,000 as restated), and the weighted average of 731,865,903 (2002: 731,865,903) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$15,500,000. The weighted average number of ordinary shares used in the calculation is the 731,865,903 ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 38,939 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

A diluted earnings per share amount for the year ended 31 March 2002 has not been disclosed as the share options outstanding during that year had an anti-dilutive effect on the basic earnings per share for that year.

**DIVIDEND**

The Board considered that more earnings should be retained for internal resources. As such, it was resolved that no recommendation for the payment of a final dividend would be made for the year ended 31 March 2003 (2001/02: 0.4 HK cent). No interim dividend was paid for the six months ended 30 September 2002 (2001/02: 0.4 HK cent).

**CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 11 August 2003 to 18 August 2003, both days inclusive, during which period no transfer of shares will be registered. All transfers and relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tengis Limited, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:30 p.m. on 8 August 2003.

**BUSINESS REVIEW**

During the year under review, structural change and consolidation of the Hong Kong economy continued with rising unemployment, continuing deflation and weak sentiment. The government's nine-point package aimed at reducing supply in the property market only sparked a short-lived revival in sentiment, which was dampened by the budgetary measures aimed at reducing the huge budget deficit and the outbreak of SARS.

Our strategic decision back in the mid-1990s in expanding into the PRC, with our major focus in Shanghai and Tianjin, has proven to be valuable in enabling the Group to weather the downward economic cycle in Hong Kong. Our PRC business is now firmly established on a strong foundation built on years of expertise, market experience and connections. With the continued strong growth in Shanghai and the Tianjin municipal government's open support in accelerating the development of Tianjin, we are confident that our business strategy is on the right track to success.

**Hong Kong Market**

**Foundation Piling**

Foundation piling is the Group's core business in Hong Kong. During the year under review, the foundation division recorded a turnover of over HK\$632 million and a net contribution of about HK\$32 million. About 70 per cent. of the division's contracts were from the private sector with the balance from the public sector. Our ability is further recognized with our being upgraded from Group I to Group II contractor under the Ground Investigation Field Works category, which enables us to tender for jobs of unlimited value. Our major contracts on hand include Hunggho Bay KIL11110, Hoi Fai Road KIL11158 and Ma Tau Kok. We have also been active in the government's school improvement programme, undertaking works for schools such as DBS, Heep Yunn, La Salle, Sacred Heart, St. Joseph, St. Mary and South Island School. Our foundation division is constantly being reviewed to ensure that optimal performance and competitiveness are maintained under the current market condition.

**Other Construction Related Businesses**

During the year under review, the turnover of the Group's building construction and E&M engineering divisions increased to approximately HK\$361 million, whilst their contribution to operating profit increased to approximately HK\$16 million. We believe that the two divisions will continue to generate steady returns despite the lacklustre construction industry.

It has been another challenging year for the Group's machinery hiring and trading business. During the period under review, the machinery leasing and trading arm suffered a loss of

about HK\$9 million. While the local tower cranes market remained weak, there has been some improvement in machinery trading particularly with Korea and Taiwan. The Group will continue to downsize its older fleet, reduce its costs and expand into other construction related product lines.

**PRC Market**

**Property Investment and Management**

With our comprehensive, efficient and highly personal property management services, the Group's investment properties, namely Tianjin International Building in Tianjin and China Garden and Aidu Apartment in Shanghai, have continued to be popular and enjoyed steady recurrent income and satisfactory occupancy rates. During the SARS outbreak, we have adopted a pro-active approach in implementing additional measures to safeguard the health and well-being of our tenants.

As Shanghai has firmly established itself as a metropolitan city while the Tianjin municipal government is supportive of Tianjin's development, we remain confident of the returns and occupancy of our service apartments in these two cities.

**Property Development**

The Group's strategy in positioning itself as a respectable property developer in Shanghai with a focus on the domestic residential market has proven to be very successful. During the year under review, all units in Tiffany Court, our residential development in Chongming district, were completely sold. We are of the view that the recent concern of an overheated property market is only relevant to Shanghai's high-end residential market. Any correction will thus have little or no effect on our mid-range priced residential development in Putuo, as it will be targeting at the increasingly affluent local white-collars, whose salary levels mirror Shanghai's growing economy. It is expected that development of Phase I of our Putuo project will commence in late 2003 and that pre-sale will commence in the second half of 2004.

Armed with recognised expertise and experience in property development in Shanghai and our market knowledge and connections in Tianjin, the Group expects to land firm on a development project in Tianjin before the end of 2003.

**FINANCIAL REVIEW**

The Group continues to adopt a prudent financial policy and maintains a healthy capital structure. As at 31 March 2003, the Group's cash on hand amounted to around HK\$141 million, with total assets and net assets amounting to approximately HK\$1,718 million and HK\$647 million respectively. Working capital has improved by 75 per cent. to over HK\$156 million as at 31 March 2003.

During the year under review, the Group, in view of the prevailing relatively low interest rates, had raised a HK\$150 million 3-year term loan mainly to refinance its higher cost HK\$100 million term loan raised in June 2001. The facility, arranged by Industrial and Commercial Bank of China (Asia) Limited and BNP Paribas, was well received and more importantly, signifies the overall financial strength of and the bankers' confidence in the Group.

The Group's net borrowings were approximately HK\$191 million as at 31 March 2003, a decrease from HK\$312 million in the preceding financial year. The total liabilities to total assets gearing ratio maintained at a prudent level of 32.4 per cent. as compared with 39.8 per cent. in the previous year.

As at 31 March 2003, there were contingent liabilities of about HK\$156 million (2001/02: HK\$195 million) in relation to guarantees for performance bonds, while certain of the Group's fixed assets with an aggregate net book value of nearly HK\$256 million (2001/02: HK\$330 million) have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were mostly dominated in Hong Kong dollars but Renminbi loan facilities have also been arranged for its PRC subsidiaries. Currency exposure in the Renminbi borrowings has been hedged by the Group's Renminbi assets and revenue as generated from its PRC properties.

**PROSPECTS**

The lack of confidence resulting from the economic difficulties in Hong Kong has been further aggravated by the SARS outbreak. Nevertheless, we believe that opportunities are present in every crisis. As a result of SARS, there has been increasing concerns over sanitary standards and design of older buildings, and calls for speedier redevelopment of older communities and review of urban planning. Not only do our technical expertise and our competitiveness in the Hong Kong construction sector enable us to maintain a leading position in the current market situation, we are also well placed to tap the upcoming business opportunities.

The growth in the economy of Shanghai is expected to sustain its momentum. Its double-digit GDP growth in 2002 surpassed the national level of 8 per cent. With the pro-business attitude of its government and generally, its high calibre people and a well-regulated business environment, we believe that Shanghai is still full of unexplored potential. Our strategic decision in targeting the mid-range local residential market in Shanghai has given us a niche in the market. We are confident that our future projects in Shanghai will continue to generate promising returns.

Back in the mid-1990s when we set foot in Tianjin with the acquisition of Tianjin International Building, we were already a believer in the potential of the city, given its geographical location. We are of the view that the municipal government's open pledge in accelerating the development of Tianjin will open up attractive opportunities which we may explore.

We are optimistic about the continued robust growth of the PRC economy and hope that with time, the Hong Kong market will recover and that Hong Kong will emerge as a healthier economy. We are confident that we will be able to maintain our leading position in the Hong Kong foundation industry and at the same time fully benefit from our niche in the PRC market.

**EMPLOYMENT AND REMUNERATION POLICIES**

The Group, including its subsidiaries and joint ventures in Hong Kong and the PRC, employed approximately 1,000 employees as at 31 March 2003. The Group's remuneration policies are primarily based on prevailing market wages and the performance of respective companies and individuals concerned. Fringe benefits, including provident fund, medical insurance and training, are provided. In addition, share options may be granted in accordance with the terms of the Group's approved share option scheme.

**APPRECIATION AND CHANGE IN THE BOARD OF DIRECTORS**

Mr. Henry Lai has retired from his position as executive director of the Company with effect from 8 July 2003. On behalf of the Board, management and staff, I would like to express our heartfelt gratitude to Mr. Lai for his invaluable contribution and guidance to the Group over the years, and would like to wish him a very happy and fruitful retirement.

On the other hand, we would like to extend a warm welcome to Mr. Chiu Chin Hung David and Mr. Wong Kay for joining the Board as executive directors of the Company with effect from 8 July 2003. Mr. Chiu joined the Group in July 1994 and is the Executive Director and General Manager of the Group's foundation division. Mr. Wong joined the Group in October 1996 and is the General Manager of the Group's PRC division as well as the Director and General Manager of the Group's E&M division.

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication, hard work and contribution in the past year. We would also like to thank all our shareholders for their support for the Group.

**CODE OF BEST PRACTICE**

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

**AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the Group's audited results for the year ended 31 March 2003.

**PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES**

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

**PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

All information required by paragraph 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange will be published on the website of the Stock Exchange in due course.

On behalf of the Board  
**CHEUNG FRANCIS**  
Chairman

Hong Kong, 8 July 2003