



TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

ONGOING CONNECTED TRANSACTIONS

Summary

On 26 January 2006, TF, TCM, TBC and TE entered into a Master Agreement to regulate the business relationship and ongoing transactions from time to time between these companies and their respective subsidiaries on normal commercial terms with a view to maximize the business activities and operations of the Group. The Company proposes to seek Independent Shareholders' approval of the transactions under the Master Agreement subject to the Annual Caps.

Both TF and TCM are wholly-owned subsidiaries of the Company. TBC and TE are non-wholly owned subsidiaries of the Company. TBC is owned as to 50% by the Company, 35% by Mr. Fung and 15% by Mr. Wong. TE is owned as to 70% by the Company, 22% by Mr. Wong and 8% by Mr. Fung. As both Mr. Fung and Mr. Wong are Directors, TBC and TE are connected persons of the Company under Rule 14A.11 of the Listing Rules. Thus, the transactions contemplated under the Master Agreement, other than transactions between TF and TCM (both being wholly-owned subsidiaries of the Company) and their respective subsidiaries, constitute ongoing connected transactions for the Company. In respect of the total amount of the Ongoing Connected Transactions, as it is anticipated that the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14 of the Listing Rules, on an annual basis, will not be less than 2.5% and the annual consideration is expected to exceed HK\$10,000,000, the Ongoing Connected Transactions will constitute non-exempt continuing connected transactions for the Company under the Listing Rules. The Company will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Rules 14A.35 to 14A.41 of the Listing Rules in relation to the Ongoing Connected Transactions.

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

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

THE MASTER AGREEMENT

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| Date: | 26 January 2006 |
| Parties: | TF, TCM, TBC and TE and their respective subsidiaries |
| Ongoing Connected Transactions and General Principles of Subcontracting | If and when any party to the Master Agreement or any of its subsidiaries shall have been awarded or appointed with a contract for works (the "Appointor") for which it may deem appropriate to subcontract the whole or any part or parts of such works to another party or parties to the Master Agreement or any of its subsidiaries (in each case, the "Appointee"), the Appointor may from time to time in the ordinary and usual course of its business subcontract the whole or any part of such works to the Appointee in the Prescribed Manner by entering into separate and definite agreements provided the detailed terms of each such transaction shall be in accordance with the principles set out in the Master Agreement. Such detailed terms shall be on normal commercial basis and on terms no less favourable to the Group than those available to or from, as the case may be, to independent third party, and the pricing thereof shall be no less favourable than the prevailing market rate, and provided further that such terms shall be fair and reasonable and in the interest of the Shareholders. |
| Condition Precedent | The arrangements contemplated under the Master Agreement will upon the approval of the Independent Shareholders and the approval of the Stock Exchange where necessary take retrospective effect from 1 January 2006. If such approval is not obtained on or before 1 April 2006 (or such later date as may be agreed by the parties hereto), the Master Agreement will automatically terminate and no party shall have any claim against any other party or parties under the Master Agreement. |
| Term | The Master Agreement is for a term of three years commencing from 1 January 2006 and ending on 31 December 2008. |
| Annual Caps | The maximum value of works to be provided by the Appointee to the Appointor, other than transactions between TF and TCM (both being wholly-owned subsidiaries of the Company) and their respective subsidiaries, shall not exceed the amounts set out below: |

| | Year Ending | | |
|---------------------------------|-----------------|-----------------|-----------------|
| | 31 Dec 06 | 31 Dec 07 | 31 Dec 08 |
| Foundation works | HK\$200 million | HK\$240 million | HK\$288 million |
| Building and construction works | HK\$200 million | HK\$240 million | HK\$288 million |
| EM works | HK\$70 million | HK\$84 million | HK\$100 million |

Historical Figures During the past five years ended 31 March 2005, subcontracting works between TBC and TE and or their subsidiaries amounted to HK\$15.8 million, HK\$5.3 million, HK\$0.9 million, HK\$7.1 million and HK\$3.9 million respectively. For the 9 months ended 31 December 2005, subcontracting works between TBC and TE and or their subsidiaries amounted to HK\$16.1 million. Such previous ongoing connected transactions are covered by waivers granted by the Stock Exchange from strict compliance with the disclosure, reporting and shareholders' approval requirements under the Listing Rules for the years up to 31 December 2005 and were disclosed in the circulars of the Company dated 29 September 1999 and 4 February 2003 and in the annual reports of the Company for the financial years concerned, and the terms and conditions of the waivers have been duly complied with.

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

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

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

Since such subcontracting transactions among TF, TCM, TBC and TE or their respective subsidiaries would continue on an ongoing basis, a Master Agreement was entered into among the parties concerned on 26 January 2006. Both TF and TCM are wholly-owned subsidiaries of the Company. TBC and TE are non-wholly owned subsidiaries of the Company. TBC is owned as to 50% by the Company, 35% by Mr. Fung and 15% by Mr. Wong. TE is owned as to 70% by the Company, 22% by Mr. Wong and 8% by Mr. Fung. As both Mr. Fung and Mr. Wong are Directors, TBC and TE are connected persons of the Company under Rule 14A.11 of the Listing Rules. Thus, the transactions contemplated under the Master Agreement constitute ongoing connected transactions for the Company. In respect of the total amount of the Ongoing Connected Transactions, as it is anticipated that the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14 of the Listing Rules, on an annual basis, will not be less than 2.5% and the annual consideration is expected to exceed HK\$10,000,000, the Ongoing Connected Transactions will constitute non-exempt continuing connected transactions of the Company under the Listing Rules. The Company will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Rules 14A.35 to 14A.41 of the Listing Rules in relation to the Ongoing Connected Transactions.

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

The Annual Caps set out above have been determined by reference to (i) the terms of the Master Agreement; (ii) the Group's turnover and the relevant divisions' turnover for the past five years; (iii) the subcontracting between TBC and TE and or their subsidiaries for the past five years; (iv) the current, prospective and future projects of the Group taking into consideration the recovery of economy, and in particular in the foundation, building and construction sectors in Hong Kong and Macau; (v) the growth rate in the turnover of the Group's projects estimated at approximately 20% per annum.

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

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

OTHER INFORMATION

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

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

GENERAL

As at the date of this announcement, the executive Directors are (1) Mr. Francis Cheung; (2) Mr. Fung Chiu Chak, Victor; (3) Mr. David Chien; (4) Miss Jennifer Kwok; (5) Mr. Chiu Chin Hung; and (6) Mr. Wong Kay, and the independent non-executive Directors are Mr. Fan Chor Ho, Paul, Mr. Chau Cham Son and Mr. Tse Man Bun.

Definitions

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| "Annual Caps" | The maximum value of transactions permitted under the Master Agreement in respect of the transactions concerned for each year as set out in this announcement; |
| "Appointor" | TF, TCM, TBC, TE or any of their respective subsidiary which has been awarded or appointed with a contract of works for which it may deem appropriate to subcontract the whole or any part of such works to another party to the Master Agreement; |
| "Appointee" | TF, TCM, TBC, TE or any of their respective subsidiary which is subcontracted by the Appointor in respect of the whole or any part of the works that the Appointor has been awarded or appointed with; |
| "Board" | the board of Directors; |
| "Company" | Tysan Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange; |
| "Director(s)" | the director(s) of the Company; |
| "EM works" | electrical and mechanical engineering works; |
| "Group" | the Company and its subsidiaries; |
| "Independent Board Committee" | an independent board committee of the Company comprising Messrs. Fan Chor Ho Paul, Chau Cham Son and Tse Man Bun; |
| "Independent Shareholders" | Shareholders other than Mr. Fung, Mr. Wong and shareholders of TBC and TE and their respective associates; |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange; |
| "Master Agreement" | the master agreement entered into among TF, TCM, TBC and TE to set out the principles regulating the business relationship between such companies and their respective subsidiaries on normal commercial terms with a view to maximize the business activities and operations of the Group; |
| "Mr. Fung" | Mr. Fung Chiu Chak, Victor, an executive Director; |
| "Mr. Wong" | Mr. Wong Kay, an executive Director; |
| "Ongoing Connected Transactions" | the ongoing connected transactions contemplated under the Master Agreement; |
| "Prescribed Manner" | (1) the subcontracting of foundation works by TBC (or its subsidiaries) to TF or TCM (or their respective subsidiaries) or vice versa, or (2) the subcontracting of building and construction works by TF or TCM (or their respective subsidiaries) to TBC (or its subsidiaries) or vice versa, or (3) the subcontracting of EM works by TF, TCM or TBC (or their respective subsidiaries) to TE (or its subsidiaries) or vice versa; |
| "SGM" | special general meeting of the Company to be convened to approve the Master Agreement (including the Annual Caps) and the Ongoing Connected Transactions contemplated thereunder; |
| "Shareholders" | shareholders of the Company; |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited; |
| "TBC" | Tysan Building Construction Company Limited, a non-wholly owned subsidiary of the Company and is owned as to 50% by the Company, 35% by Mr. Fung and 15% by Mr. Wong; |
| "TCM" | Tysan Construction (Macau) Limited, a wholly-owned subsidiary of the Company; |
| "TE" | Tysan Engineering Company Limited, a non-wholly owned subsidiary of the Company and is owned as to 70% by the Company, 22% by Mr. Wong and 8% by Mr. Fung; |
| "TEHK" | Tysan Engineering (HK) Company Limited, a wholly-owned subsidiary of TE; |
| "TF" | Tysan Foundation Limited, a wholly-owned subsidiary of the Company. |

By Order of the Board
Tysan Holdings Limited
Francis Cheung
Chairman

Hong Kong, 26 January 2006