
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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)

**(1) SPECIAL DEAL TRANSACTIONS
(INCLUDING NOTIFIABLE AND CONNECTED TRANSACTIONS)**

(2) SETTLEMENT AGREEMENT

AND

(3) NOTICE OF SGM

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



A letter from the Board is set out on pages 12 to 62 of this circular and a letter from the Independent Board Committee is set out on pages 63 to 64 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 65 to 108 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 a.m. on Monday, 16 December 2013 is set out on pages SGM-1 to SGM-3 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.

25 November 2013

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	12
Letter from the Independent Board Committee	63
Letter from the Independent Financial Adviser	65
Appendix I — Financial Information of Tysan Group	App I-1
Appendix II — Property Valuation Report	App II-1
Appendix III — Business Valuation Reports	App III-1
Appendix IV — General information	App IV-1
Notice of SGM	SGM-1

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 in the Takeovers Code
“associate(s)”	bears the meaning ascribed to it under the Listing Rules
“Barclays”	Barclays Capital Asia Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the sole financial adviser to the Offeror in relation to the Offer
“Blackstone”	The Blackstone Group L.P. and its affiliates
“Board”	the board of Directors
“Business Day(s)”	a day on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or a public holiday in Hong Kong)
“Business Valuer”	Censere (Far East) Limited, a business valuer appointed by the Independent Board Committee to prepare business valuation reports of Tysan Foundation (Hong Kong) and Tysan Building Construction
“Bye-laws”	the bye-laws of the Company as amended and adopted by the Company from time to time
“chief executive”	bears the meaning ascribed to it under the Listing Rules
“Chien Legal Proceedings”	the legal proceedings HCMP 841 of 2013 taken out by Mr. David Chien in the High Court of Hong Kong with the Company named as a respondent, and the legal proceedings HCMP 2892 of 2012 and HCMP 207 of 2013 taken out by Mr. David Chien in the High Court of Hong Kong against the Directors at the relevant time including Mr. Wong (other than Mr. Victor Fung, Mr. David Chien and Mr. Li Kit Chee)
“Closing Date”	the date to be stated in the Composite Document as the First Closing Date or any subsequent closing date as and may be announced by the Offeror and approved by the Executive
“Company”	Tysan Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 687)

DEFINITIONS

“Composite Document”	the composite offer and response document proposed to be jointly issued by the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, among others things, the terms and conditions of the Share Offer and the acceptance and transfer form in respect of the Share Offer
“Conditions”	the conditions of the Share Offer, as set out in the paragraph headed “Conditions of the Share Offer” in this circular
“connected person”	bears the meaning ascribed to it under the Listing Rules
“Connected Transactions”	the Great Prosper Acquisition, the Tysan Foundation (Hong Kong) Disposal (and the related Shareholders’ Agreement, Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities), the Tysan Building Construction Disposal and the Tysan Trading Disposal
“controlling shareholder(s)”	bears the meaning ascribed to it under the Listing Rules
“Deed of Counter-Indemnity”	a deed of counter-indemnity to be executed by Fortunate Pool and Mr. Victor Fung in favour of the Company upon completion of the Tysan Foundation (Hong Kong) Disposal
“Director(s)”	the director(s) of the Company
“Duncan Properties”	Duncan Properties Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
“Easternfunds”	Easternfunds Limited, a company incorporated in Hong Kong with limited liability, being a trustee of a discretionary trust of which Mr. Francis Cheung is the founder
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Executive Director(s)”	the executive Director(s)
“Final Closing Date”	the final closing date of the Share Offer
“Financial Institutions”	licensed banks and other financial institutions or syndicates of the aforesaid which provide financial and banking facilities to their customers
“First Closing Date”	the first closing date of the Share Offer

DEFINITIONS

“Fortunate Pool”	Fortunate Pool Limited, a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is owned by Mr. Victor Fung
“Grand Thunder”	Grand Thunder Limited, a company incorporated in Hong Kong with limited liability, being a trustee of a discretionary trust of which Mr. Francis Cheung is the founder
“Great Prosper”	Great Prosper Limited, a company incorporated in Hong Kong with limited liability, the issued share capital of which is owned as to 80% by Duncan Properties and as to 20% by Tysan Building Construction (China) as at the Latest Practicable Date
“Great Prosper Acquisition”	the acquisition of 20% of the issued share capital of Great Prosper and the related shareholder’s loan by Duncan Properties from Tysan Building Construction (China) pursuant to the Great Prosper SPA
“Great Prosper SPA”	the sale and purchase agreement dated 16 August 2013 (and as amended on 22 November 2013) and entered into between Tysan Building Construction (China) as vendor and Duncan Properties as purchaser in relation to the Great Prosper Acquisition
“Guarantees and Indemnities”	the guarantees, security and indemnities given by the Company and/or its subsidiaries (other than members of Tysan Foundation (Hong Kong) Group) and contained in the Guarantee and Indemnity Documents made in favour of the Financial Institutions in respect of or in connection with the Tysan Banking Facilities
“Guarantee and Indemnity Documents”	the documents containing such guarantees, security and indemnities executed by the Company and/or its subsidiaries (other than members of Tysan Foundation (Hong Kong) Group) in favour of the Financial Institutions in respect of or in connection with the Tysan Banking Facilities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holdco”	Tides Holdings I Ltd., a company incorporated in the British Virgin Islands with limited liability, the holding company of the Offeror
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”

the independent committee of the Board comprising Mr. Li Kit Chee, an independent non-executive Director, as the sole member which has been established to advise the Independent Shareholders as to whether the terms of the Special Deal Transactions (including the Non-exempt Connected Transactions) are fair and reasonable, whether the Non-exempt Connected Transactions are in the interests of the Company and its shareholders as a whole, and the voting action that the Independent Board Committee would recommend taking into account the recommendations of the Independent Financial Adviser

“Independent Financial Adviser”

Somerley Limited, a corporation licensed to carry out 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 appointed by the Independent Board Committee in relation to the Special Deal Transactions and the Non-exempt Connected Transactions as to whether the terms of the Special Deal Transactions (including the Non-Exempt Connected Transactions) are fair and reasonable, and whether the Non-exempt Connected Transactions are 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

“Independent Shareholders”

Shareholders who (i) are not involved in or interested in the Special Deal Transactions and (ii) do not have a material interest in the Non-exempt Connected Transactions (within the meaning of the Listing Rules). For the avoidance of doubt, Independent Shareholders shall exclude Mr. Francis Cheung (together with Power Link, Long Billion, Easternfunds and Grand Thunder), Mr. Victor Fung, Miss Jennifer Kwok, Mr. David Chien, Mr. Jackel Cheung and Miss Miranda Ng

“Irrevocable Undertakings”

the irrevocable undertakings dated 16 August 2013 given by (i) Mr. Francis Cheung, Power Link, Long Billion, Easternfunds and Grand Thunder, (ii) Mr. Victor Fung, and (iii) Mr. David Chien, in each case in favour of the Offeror

“Joint Announcement”

the announcement dated 19 August 2013 published jointly by the Offeror and the Company in relation to, among others, the Offers, Settlement Agreement, Special Deal Transactions and the notifiable and Connected Transactions

DEFINITIONS

“Last Trading Day”	9 August 2013, being the last trading day before the Joint Announcement was made
“Latest Practicable Date”	22 November 2013, 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 of Hong Kong Limited
“Long Billion”	Long Billion International Limited, a company incorporated in the British Virgin Islands which is controlled by Mr. Francis Cheung
“Long Stop Date”	31 March 2014 (or any later date as the Offeror may agree with Mr. Francis Cheung, Mr. Victor Fung and Mr. David Chien)
“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
“Miss Jennifer Kwok”	Miss Jennifer Kwok, an Executive Director
“Miss Jennifer Kwok’s Service Agreement”	the service agreement dated 16 August 2013 signed by Tysan Management setting out the management incentives offered to Miss Jennifer Kwok
“Miss Miranda Ng”	Miss Ng Ka Ping Miranda, a shareholder of Tysan Trading holding 10% of its issued share capital and a Shareholder as at the Latest Practicable Date
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. David Chien”	Mr. David Chien, an Executive Director
“Mr. Francis Cheung”	Mr. Francis Cheung, the chairman of the Board, an Executive Director and a controlling shareholder of the Company. He is also the father of Mr. Jackel Cheung
“Mr. Jackel Cheung”	Mr. Harvey Jackel Cheung, an Executive Director and also a son of Mr. Francis Cheung
“Mr. Victor Fung”	Mr. Fung Chiu Chak, Victor, an Executive Director

DEFINITIONS

“Mr. Wong”	Mr. Kay Wong, a former Executive Director who had resigned with effect from 1 May 2013
“Non-exempt Connected Transactions”	the Great Prosper Acquisition, the Tysan Building Construction Disposal and the Tysan Foundation (Hong Kong) Disposal (and the related Shareholders’ Agreement and the continued provision of the Guarantees and Indemnities)
“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(s)”	meaning, at the time of the Joint Announcement, the Share Offer and the Option Offer but due to subsequent events will, in this circular, refer only to the Share Offer
“Offer Pre-Conditions Announcement”	the announcement to be published jointly by the Offeror and the Company in respect of the Offer after the Pre-Conditions are satisfied or waived
“Offer Price”	the price at which the Share Offer will be made, being HK\$2.86 per Share
“Offeror”	Tides Holdings II Ltd., a company incorporated in the British Virgin Islands with limited liability
“Options”	the outstanding options granted by the Company pursuant to the Share Option Schemes
“Option Offer”	the possible voluntary conditional cash offer to be made by Barclays on behalf of the Offeror for the cancellation of all outstanding Options at the consideration of HK\$1.40 per Option
“Optionholder”	the registered holder of the Options
“Other Blackstone Fund Entities”	Blackstone Real Estate Holdings Asia-NQ-ESC L.P. and BREP Asia Feeder-NQ L.P., each a limited partnership established under the laws of the Cayman Islands, and Blackstone Family Real Estate Partnership Asia-SMD L.P., Blackstone Real Estate Holdings (Offshore) VII-NQ-ESC L.P., Blackstone Real Estate Partners (Offshore) VII T.E. 1-8 NQ L.P., Blackstone Real Estate Partners (Offshore) VII F-NQ L.P. and Blackstone Family Real Estate Partnership VII-SMD L.P., each a limited partnership established under the laws of Alberta, Canada

DEFINITIONS

“Power Link”	Power Link Investments Limited, a company incorporated in the British Virgin Islands which is controlled by Mr. Francis Cheung
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan
“Pre-Conditions”	the pre-conditions to the making of the Offer as set out under the section headed “Pre-Conditions to the Offer” in this circular
“Proposed Resolutions”	<p>the proposed ordinary resolutions of the Shareholders, as set out in the Notice of SGM, to approve:</p> <ol style="list-style-type: none">(1) the Great Prosper SPA and transactions contemplated or arising thereunder;(2) the Tysan Foundation (Hong Kong) SPA (and the related Shareholders’ Agreement, Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities);(3) the Tysan Building Construction SPA and transactions contemplated or arising thereunder;(4) the Tysan Trading SPA and transactions contemplated or arising thereunder; and(5) Miss Jennifer Kwok’s Service Agreement and transactions contemplated or arising thereunder
“Relevant Authorities”	any government, governmental, quasi-governmental, statutory or regulatory authority, body, agency, tribunal, court or institution
“Rescinded Sale and Purchase Agreement”	a sale and purchase agreement dated 12 November 2012 (as amended) in respect of the sale and purchase of 40% of the issued shares of Tysan Foundation (Hong Kong) entered into between the Company as vendor and Fortunate Pool as purchaser and which was rescinded on 30 June 2013
“Settlement Agreement”	the settlement agreement dated 16 August 2013 and entered into amongst the parties to the Chien Legal Proceedings
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SGM”	a special general meeting of the Company to be held on 16 December 2013 to seek the approval of the Independent Shareholders in respect of the Special Deal Transactions and the Non-exempt Connected Transactions
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Offer”	the possible voluntary conditional cash offer to be made by Barclays on behalf of the Offeror for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it)
“Share Option Schemes”	the 2002 Share Option Scheme and the 2012 Share Option Scheme
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between the Company, Fortunate Pool, Mr. Victor Fung and Tysan Foundation (Hong Kong) upon completion of the Tysan Foundation (Hong Kong) Disposal in respect of their mutual agreement regarding the corporate governance of Tysan Foundation (Hong Kong) and the respective rights and obligations of the shareholders of Tysan Foundation (Hong Kong)
“Special Deal Transactions”	the Great Prosper Acquisition, the Tysan Foundation (Hong Kong) Disposal (and the related Shareholders’ Agreement, Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities), the Tysan Building Construction Disposal, the Tysan Trading Disposal and the offer of management incentives to Miss Jennifer Kwok
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	bears the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tianjin Riverside Project”	the property development project known as “The Riverside” which is located at the south side of the junction of Tai Er Zhuang Road and Qiongzhou Road, Hexi District, Tianjin, PRC

DEFINITIONS

“Tysan Banking Facilities”	loans and/or banking facilities provided by the Financial Institutions, in respect of or in connection with the business of Tysan Foundation (Hong Kong) Group, to Tysan Foundation (Hong Kong) or companies or entities in which Tysan Foundation (Hong Kong) has an equity interest
“Tysan Building Construction”	Tysan Building Construction Company Limited, a company incorporated in Hong Kong with limited liability, an associated company of the Company, the issued share capital of which is owned as to 49% by Tysan Construction and as to 51% by Victor Create as at the Latest Practicable Date
“Tysan Building Construction (China)”	Tysan Building Construction (China) Company Limited, a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is owned by Tysan Building Construction
“Tysan Building Construction Disposal”	the disposal of 49% of the issued share capital of Tysan Building Construction and the related shareholder’s loan by Tysan Construction to Mr. Victor Fung pursuant to the Tysan Building Construction SPA
“Tysan Building Construction SPA”	the sale and purchase agreement dated 16 August 2013 (and as amended on 22 November 2013) and entered into between Tysan Construction as vendor and Mr. Victor Fung as purchaser in relation to the Tysan Building Construction Disposal
“Tysan Construction”	Tysan Construction Company Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Company
“Tysan Foundation (Hong Kong)”	Tysan Foundation (Hong Kong) Limited, company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Company
“Tysan Foundation (Hong Kong) Disposal”	the disposal of 40% of the issued share capital of Tysan Foundation (Hong Kong) and the related shareholder’s loan by the Company to Fortunate Pool pursuant to the Tysan Foundation (Hong Kong) SPA
“Tysan Foundation (Hong Kong) Group”	Tysan Foundation (Hong Kong) and its subsidiaries, all being subsidiaries of the Company immediately before completion of the Tysan Foundation (Hong Kong) Disposal

DEFINITIONS

“Tysan Foundation (Hong Kong) SPA”	the sale and purchase agreement dated 16 August 2013 (and as amended on 18 August 2013 and 22 November 2013) and entered into between the Company as vendor and Fortunate Pool as purchaser in relation to the Tysan Foundation (Hong Kong) Disposal
“Tysan Group”	the Company and its subsidiaries
“Tysan Investment”	Tysan Investment Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Company
“Tysan Management”	Tysan Management Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“Tysan Tianjin”	泰昇房地產開發(天津)有限公司 (Tysan Property Development (Tianjin) Company Limited), a company incorporated in PRC with limited liability, a wholly-owned subsidiary of Great Prosper which, in turn, is owned as to 80% by the Company.
“Tysan Trading”	Tysan Trading Company Limited, a company incorporated in Hong Kong with limited liability, the issued share capital of which is owned as to 40% by Tysan Investment, as to 26% by Mr. Victor Fung, as to 24% by Miss Jennifer Kwok and as to 10% by Miss Miranda Ng as at the Latest Practicable Date
“Tysan Trading Disposal”	the disposal of 40% of the issued share capital of Tysan Trading and the related shareholder’s loan by Tysan Investment to Miss Jennifer Kwok pursuant to the Tysan Trading SPA
“Tysan Trading SPA”	the sale and purchase agreement dated 16 August 2013 (and as amended on 22 November 2013) and entered into between Tysan Investment as vendor and Miss Jennifer Kwok as purchaser in relation to the Tysan Trading Disposal
“Unconditional Date”	the date on which the Share Offer becomes or is declared unconditional in all respects
“Undertaking Shareholders”	Mr. Francis Cheung, Power Link, Long Billion, Easternfunds, Grand Thunder, Mr. Victor Fung and Mr. David Chien
“Victor Create”	Victor Create Limited, a company incorporated in Hong Kong with limited liability, the issued share capital of which is owned as to 60% by Mr. Victor Fung and as to 40% by Mr. Jackel Cheung as at the Latest Practicable Date

DEFINITIONS

“2002 Share Option Scheme”	the share option scheme adopted by the Company on 28 August 2002
“2012 Share Option Scheme”	the share option scheme adopted by the Company on 8 August 2012
“%”	per cent

Note: Unless otherwise specified and for illustration purpose only, the conversion of RMB into HK\$ is based on the exchange rate RMB1.00 =HK\$1.264. Such conversion should not be construed as a representation that the currency could actually be converted to HK\$ at that rate at all.

LETTER FROM THE BOARD



TYSAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 687)

Executive Directors:

CHEUNG Francis (*Chairman*)
FUNG Chiu Chak, Victor
(Vice Chairman and Managing Director)
CHIEN David
KWOK Jennifer
CHIU Chin Hung
LAU Kin Fai
CHEUNG Harvey Jackel

Independent non-executive Directors:

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

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*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

25 November 2013

To the Shareholders

Dear Sirs or Madam,

**(1) SPECIAL DEAL TRANSACTIONS
(INCLUDING NOTIFIABLE AND CONNECTED TRANSACTIONS)**

(2) SETTLEMENT AGREEMENT

AND

(3) NOTICE OF SGM

INTRODUCTION

Reference is made to the Joint Announcement where the Offeror and the Company jointly announced that Barclays will, on behalf of the Offeror, subject to the satisfaction or waiver of the Pre-Conditions, make a voluntary conditional cash offer to (i) acquire all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it), and (ii) to cancel all outstanding Options. All references to the Offer in this circular are references to the possible Offer which will be made if and only if the Pre-Conditions are satisfied or waived.

LETTER FROM THE BOARD

Pursuant to the Joint Announcement, the Offeror and the Board also announced that, among other things, the following Special Deal Transactions, namely, the Great Prosper Acquisition, the Tysan Foundation (Hong Kong) Disposal (and the related Shareholders' Agreement, Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities), the Tysan Building Construction Disposal, the Tysan Trading Disposal and the terms of Miss Jennifer Kwok's Service Agreement are conditional on the Offer becoming unconditional. Each such Special Deal Transaction is not capable of being extended to all Shareholders, and therefore, constitutes a special deal under Rule 25 of the Takeovers Code which is subject to the consent of the Executive. An application has been made to the Executive for consent to proceed with the Special Deal Transactions under Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating in its opinion that the terms of the Special Deal Transactions are fair and reasonable and (ii) the Independent Shareholders approving such Special Deal Transactions by way of a poll at the SGM. Further particulars of the Special Deal Transactions are set out below.

Each of the Special Deal Transactions and the Settlement Agreement are also notifiable transactions under Chapter 14 of the Listing Rules and/or connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules and the relevant compliance requirements under the Listing Rules are set out below.

Transaction	Reason it is a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules	Applicable percentage ratios under Rule 14.07 of the Listing Rules	Listing Rule compliance requirements
Settlement Agreement	The counterparties are all the Directors (other than Mr. Li Kit Chee, an independent non-executive Director).	More than 0.1% but less than 5%. Connected transaction only.	Announcement only and no Independent Shareholders approval required.
Great Prosper Acquisition	The vendor, Tysan Building Construction (China), is an associate of Mr. Victor Fung, an Executive Director. ⁽¹⁾	More than 0.1% but less than 5%. Connected transaction only.	In itself, announcement only and no Independent Shareholders approval required. However, when aggregated with the Tysan Foundation (Hong Kong) Disposal and the Tysan Building Construction Disposal, this is a major transaction and Independent Shareholders approval required.
Tysan Foundation (Hong Kong) Disposal (and the related Shareholders' Agreement, Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities)	The purchaser, Fortunate Pool, is an associate of Mr. Victor Fung, an Executive Director ⁽²⁾ .	More than 25% but less than 75%. Major and connected transaction and in respect of the continued provision of the Guarantees and Indemnities, a continuing connected transaction.	Announcement and Independent Shareholders approval required.

LETTER FROM THE BOARD

Transaction	Reason it is a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules	Applicable percentage ratios under Rule 14.07 of the Listing Rules	Listing Rule compliance requirements
Tysan Building Construction Disposal	The purchaser is Mr. Victor Fung, an Executive Director.	More than 5% but less than 25%. Discloseable and connected transaction.	Announcement and Independent Shareholders approval required.
Tysan Trading Disposal	The purchaser is Miss Jennifer Kwok, an Executive Director.	More than 0.1% but less than 5%. Connected transaction only.	Announcement only and no Independent Shareholders approval required.
The terms of Miss Jennifer Kwok's Service Agreement	The counterparty is Miss Jennifer Kwok, an Executive Director.	N.A.	Exempt from announcement and Independent Shareholders approval under Chapters 14 and 14A of the Listing Rules.

- ⁽¹⁾ Tysan Building Construction (China) is indirectly owned as to 51% by Victor Create, a company owned by as to 60% by Mr. Victor Fung and as to 40% by Mr. Jackel Cheung, both of whom are Executive Directors.
- ⁽²⁾ Fortunate Pool is wholly-owned by Mr. Victor Fung.

Even if the Tysan Building Construction Disposal, the Tysan Foundation (Hong Kong) Disposal (and the related Shareholders' Agreement, Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities) and the Great Prosper Acquisition are aggregated for the purposes of the Listing Rules on the grounds that such transactions involve Mr. Victor Fung and his associates, these transactions remain to be categorised only as a major transaction under Chapter 14 of the Listing Rules and the very substantial disposal requirements are not triggered.

Mr. Francis Cheung (together with Power Link, Long Billion, Easternfunds and Grand Thunder), Mr. Victor Fung, Miss Jennifer Kwok, Mr. David Chien, Mr. Jackel Cheung and Miss Miranda Ng shall abstain from voting on all the Shareholders' resolutions approving the Special Deal Transactions and the Non-exempt Connected Transactions at the SGM.

Subsequent to the Joint Announcement, the Company received a notification from Mr. Lau Kin Fai, an Executive Director, whereby he exercised options granted to him in respect of 2,000,000 Shares. This represents all outstanding Options granted under the Share Option Schemes and these 2,000,000 Shares have been allotted and issued. Consequently, there will be no requirement under the Takeovers Code to make the Option Offer to the Optionholder.

As at the date of the Latest Practicable Date, there were 874,665,903 Shares in issue and the Company has no other shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Special Deal Transactions (including the Non-exempt Connected Transactions) and the Settlement Agreement; (ii) the letter from the Independent Board Committee to the Independent Shareholders as to whether the terms of the Special Deal Transactions (including the Non-exempt Connected Transactions) are fair and reasonable, whether the Non-exempt Connected Transactions are in the interests of the Company and its shareholders as a whole, and the voting action that the Independent Board Committee would recommend taking into account the recommendations of the Independent Financial Adviser; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Special Deal Transactions (including the Non-exempt Connected Transactions) are fair and reasonable, and whether the Non-exempt Connected Transactions are 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; (iv) certain financial information on Tysan Group; and (v) the Notice of the SGM.

At the Board meeting held to approve the Joint Announcement, each of the Special Deal Transactions and the Settlement Agreement, all Directors (other than Mr. David Chien) attended such Board meeting. For the reasons stated in the Joint Announcement (i) Mr. Chiu Chin Hung and Mr. Lau Kin Fai voted on the Special Deal Transactions (including the Non-exempt Connected Transactions) and the remaining Directors who attended the Board meeting abstained from voting on the Special Deal Transactions (including the Non-exempt Connected Transactions), namely Mr. Francis Cheung, Mr. Victor Fung, Miss Jennifer Kwok, Mr. Jackel Cheung and the independent non-executive Directors and (ii) Mr. Li Kit Chee only voted on the Settlement Agreement.

This letter from the Board contains views and opinions of the Company as approved by the Board at a meeting held prior to the Latest Practicable Date and for reasons explained in this letter, given that each of the following Directors, namely Mr. Francis Cheung, Mr. Victor Fung, Miss Jennifer Kwok, Mr. David Chien and Mr. Jackel Cheung, are required to abstain from voting on all the Shareholders' resolutions approving the Special Deal Transactions and the Non-exempt Connected Transactions at the SGM, this letter reflects the views of (i) the remaining Executive Directors, namely Mr. Chiu Chin Hung and Mr. Lau Kin Fai and (ii) the independent non-executive Directors who the Stock Exchange has determined, subsequent to the publication of the Joint Announcement, should not be members of the Independent Board Committee. The views of Mr. Li Kit Chee, the sole member of the Independent Board Committee, are set out in the letter from the Independent Board Committee to the Independent Shareholders and states whether the terms of the Special Deal Transactions (including the Non-exempt Connected Transactions) are fair and reasonable, whether the Non-exempt Connected Transactions are in the interests of the Company and its shareholders as a whole, and the voting action that the Independent Board Committee would recommend taking into account the recommendations of the Independent Financial Adviser. Mr. Li Kit Chee is the only Director who is not a party to the Chien Legal Proceedings and will also give his views below on the Settlement Agreement.

LETTER FROM THE BOARD

THE OFFER

The Share Offer

The Share Offer will be made by Barclays on behalf of the Offeror on the following basis:

Consideration of the Share Offer

For each Share HK\$2.86 in cash

The Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the Closing Date. Any dividends or other distributions the record date of which is before the Closing Date will be paid by the Company to the Shareholders who are qualified for such dividends or distributions.

Comparisons of value

The Offer Price of HK\$2.86 per Share represents:

- (a) a premium of approximately 1.4% over the closing price of HK\$2.82 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 10.0% over the closing price of HK\$2.60 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 18.7% over the average of the closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$2.41 per Share;
- (d) a premium of approximately 21.2% over the average of the closing prices as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of HK\$2.36 per Share;
- (e) a premium of approximately 37.5% over the average of the closing prices as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$2.08 per Share;
- (f) a premium of approximately 45.9% over the average of the closing prices as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day of HK\$1.96 per Share; and

LETTER FROM THE BOARD

- (g) a premium of approximately 59.8% over the average of the closing prices as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$1.79 per Share.

Highest and lowest Share prices

During the six-month period up to and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.60 per Share on 9 August 2013 and the lowest closing price of the Shares quoted on the Stock Exchange was HK\$1.36 per Share on 13 March 2013, 18 March 2013 and 5 April 2013. For the period following the Last Trading Day up to and including the Latest Practicable Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.86 on 12 November 2013 and the lowest closing price of the Shares quoted on the Stock Exchange was HK\$2.69 per Share on 21 and 24 October 2013.

Settlement of consideration

Settlement of consideration in respect of acceptances of the Offer will be made as soon as possible but in any event within seven Business Days of (i) the Unconditional Date or (ii) the date of receipt of a complete and valid acceptance in respect of the Offer, whichever is the later.

No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

VALUE OF THE OFFER

As at the date of the Latest Practicable Date, there were 874,665,903 Shares in issue. On the basis of the Offer Price of HK\$2.86 per Share, the Share Offer is valued at approximately HK\$2,501,544,483.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands on 25 July 2013 with limited liability. As at the Latest Practicable Date, the Offeror is wholly owned by Holdco, a company incorporated under the laws of the British Virgin Islands. Holdco is owned as to 1% by BREP Asia SBS Holding — NQ Co III Ltd., as to 79% by BREP Asia Holdings (NQ) Pte Ltd., as to 1% by BREP VII SBS Holding — NQ Co III Ltd., and as to 19% by Blackstone Real Estate SG Super Holding (NQ) Co IV Pte Ltd. (collectively, the “**Blackstone Fund SPVs**”). The Blackstone Fund SPVs are indirectly owned by Blackstone Real Estate Partners Asia-NQ L.P., Blackstone Real Estate Partners (Offshore) VII-NQ L.P. and Other Blackstone Fund Entities. Blackstone Real Estate Partners Asia-NQ L.P. is a limited liability partnership established under the laws of the Cayman Islands and Blackstone Real Estate Partners (Offshore) VII-NQ L.P. is a limited liability partnership established under the laws of Alberta, Canada. Each of Blackstone Real Estate Partners Asia-NQ L.P., Blackstone Real Estate Partners (Offshore) VII-NQ L.P. and each of Other Blackstone Fund Entities is a private investment fund managed by Blackstone and is ultimately controlled by The Blackstone Group L.P.. The Blackstone Group L.P.’s real estate group, the parent of the Offeror, is one of the largest opportunistic real estate investment managers in the world. It is also engaged in real estate development in major

LETTER FROM THE BOARD

cities in the PRC such as Shanghai, Dalian, Nantong and Wuhan. As Tysan Group is currently involved in a number of property development projects in the PRC, Blackstone believes that the Share Offer will provide it with an opportunity to enlarge its footprint in the real estate market in the PRC.

Blackstone is a global asset manager and provider of financial advisory services. It is headquartered in the United States and has further offices in Europe and Asia. The Blackstone Group L.P. is listed on the New York Stock Exchange. Blackstone operates as an investment management firm, not as a conglomerate or a holding company. Accordingly, each company in its investment portfolio is independently managed and financed and each has different investors (although the investors in different Blackstone funds may overlap).

Blackstone as a firm was formed as a limited partnership in 1985 and The Blackstone Group L.P. is managed and operated by its general partner, Blackstone Group Management, LLC., which is in turn wholly-owned and controlled by one of Blackstone's founders, Stephen A. Schwarzman and Blackstone's other senior managing directors.

On 27 June 2007, The Blackstone Group L.P. completed an initial public offering ("IPO") of its common units representing limited partner interests in The Blackstone Group L.P. on the New York Stock Exchange. Upon completion of the IPO, public investors indirectly owned approximately 14.1% of the equity (on a fully diluted basis) in The Blackstone Group L.P..

Concurrently with the IPO, Blackstone completed the sale of non-voting common units, representing approximately 9.3% of the equity, to China Investment Corporation.

Further information and the latest financial statements are contained on Blackstone's website and are available at <http://ir.blackstone.com/annuals.cfm>.

PRE-CONDITIONS TO THE OFFER

The making of the Offer by the Offeror is subject to the satisfaction or waiver of the following Pre-Conditions on or prior to the Long Stop Date:

- (1) the submission by the Offeror to, and acceptance by MOFCOM, under the Anti-Monopoly Law of the PRC in respect of the Offer and the clearance or deemed clearance (through the expiration of the relevant statutory time periods for review by MOFCOM) by MOFCOM under the Anti-Monopoly Law of the PRC of the Offer, on terms reasonably acceptable to the Offeror;
- (2) no Relevant Authorities in any jurisdiction having taken or instituted any action, proceeding, suit, public investigation or public enquiry, or enacted or made or publicly proposed, and there is no outstanding statute, regulation, demand or order that would make the Offer or any of the Special Deal Transactions void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions, limitations or obligations with respect to the Offer or any of the Special Deal Transactions;

LETTER FROM THE BOARD

- (3) the Independent Shareholders having at the SGM approved the Special Deal Transactions and the consent of the Executive having been obtained to proceed with the Special Deal Transactions in accordance with Rule 25 of the Takeovers Code;
- (4) the Independent Shareholders having at the SGM approved the Non-exempt Connected Transactions;
- (5) the Company having obtained or having caused all relevant members of Tysan Group to obtain any necessary and required consents or notifications (as the case may be) for the Offer pursuant to any loan agreements or security documents to which any relevant member of Tysan Group is a party;
- (6) the legal proceedings HCMP 841 of 2013, HCMP 2892 of 2012 and HCMP 207 of 2013 having been unconditionally withdrawn and that the injunction granted by the High Court of Hong Kong in legal proceedings HCMP 2892 of 2012 and HCMP 207 of 2013 having ceased to have effect on such terms as set out in the Settlement Agreement;
- (7) since the date of the last audited consolidated financial statements of the Company and up to and including the time when the last of the Pre-Conditions set out in (1) to (6) above is satisfied, there having been no change, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on the financial position or operations of Tysan Group taken as a whole;
- (8) there having been no acquisition or establishment of any subsidiary or acquisition of any share in any other company or participation in any partnership or joint venture by any member of Tysan Group (other than in the ordinary and usual course of Tysan Group's business and other than in connection with any transaction contemplated by or disclosed in the Joint Announcement) during the period from the date of the Irrevocable Undertakings up to and including the time when the last of the Pre-Conditions set out in (1) to (6) above is satisfied;
- (9) none of the members of Tysan Group having incurred any additional borrowings or incurred any other indebtedness in the nature of borrowings (save for any re-financing of existing borrowings or indebtedness of the same amount as any such existing borrowings or indebtedness, and the procurement of the issue of any performance bonds under existing borrowings or banking facilities, and borrowings related to Tysan Group's foundation piling business under existing banking facilities) during the period from the date of the Irrevocable Undertakings up to and including the time when the last of the Pre-Conditions set out in (1) to (6) above is satisfied;
- (10) without prejudice to the Pre-Condition set out in (9) above, none of the members of Tysan Group having entered into (i) any new contract in relation to Tysan Group's foundation piling business of a value that exceeds HK\$800 million or (ii) any new contract in relation to Tysan Group's property development or property investment and management business of a value that exceeds HK\$190 million, or renewed or amended the terms and conditions of any existing contract which falls within the scope of (i) and (ii) above, in each case during the period from the date of the Irrevocable Undertakings up to and including the time when the last of the Pre-Conditions set out in (1) to (6) above is satisfied;

LETTER FROM THE BOARD

- (11) none of the members of Tysan Group having acquired or disposed of any land or real properties (other than the disposal of real properties in the ordinary and usual course of business of Tysan Group) or change the existing usage of Tysan Group's real properties during the period from the date of the Irrevocable Undertakings up to and including the time when the last of the Pre-Conditions set out in (1) to (6) above is satisfied; and
- (12) all warranties given by the Undertaking Shareholders in the Irrevocable Undertakings remaining true and accurate in all respects and not misleading in any respect up to and including the time when the last of the Pre-Conditions set out in (1) to (6) above is satisfied and no frustration action (as defined in Rule 4 of the Takeovers Code) has been taken by the Board or announced by the Company (other than the issue of 2,000,000 Shares as a result of the exercise of the outstanding Options) up to and including the time when the last of the Pre-Conditions set out in (1) to (6) above is satisfied.

The Offeror reserves the right to waive, in whole or in part, Pre-Conditions (2), (5), (7) to (12) above. The remaining Pre-Conditions cannot be waived. If any of the Pre-Conditions is not satisfied or waived on or before the Long Stop Date and the Offeror has not agreed with Mr. Francis Cheung, Mr. Victor Fung and Mr. David Chien for the extension of the Long Stop Date beyond 31 March 2014, the Offer will not be made by the Offeror.

The Offeror will issue a further announcement as soon as practicable after the Pre-Conditions have been satisfied or waived, or if any of the Pre-Conditions has not been satisfied or waived and the Offer will not be made, or if the Offeror, Mr. Francis Cheung, Mr. Victor Fung and Mr. David Chien have agreed to extend the Long Stop Date beyond 31 March 2014.

As at the Latest Practicable Date, none of the Pre-Conditions has been waived or fulfilled.

CONDITIONS OF THE SHARE OFFER

The Share Offer to be made by the Offeror upon satisfaction or waiver of the Pre-Conditions are subject to the satisfaction or waiver of the following Conditions:

- (a) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which will result in the Offeror and persons acting in concert with it holding more than 50% of the voting rights in the Company; and
- (b) up to and including the time when the Condition in (a) above is satisfied, no Relevant Authorities in any jurisdiction having taken or instituted any action, proceeding, suit, public investigation or public enquiry, or enacted or made or publicly proposed, and there is no outstanding statute, regulation, demand or order that would make the Offer or any of the Special Deal Transactions void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions, limitations or obligations with respect to the Offer or any of the Special Deal Transactions.

LETTER FROM THE BOARD

The Offeror reserves the right to waive, in whole or in part, Condition (b) set out above. Condition (a) set out above cannot be waived.

Under the terms of the Irrevocable Undertakings, the Undertaking Shareholders have agreed to accept the Share Offer (and Mr. Francis Cheung has also agreed to procure Power Link, Long Billion, Easternfunds and Grand Thunder to accept the Share Offer) after the fifth Business Day after the despatch of the Composite Document and in any event before 4:00 p.m. on the tenth Business Day after the despatch of the Composite Document. It is therefore expected that the Condition referred to in (a) above will be satisfied and the Share Offer will be unconditional as to acceptances on or before the tenth Business Day after the despatch of the Composite Document.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Offer if the circumstances which give rise to the right to invoke any of such Conditions are of material significance to the Offeror in the context of the Offer.

Shareholders and/or potential investors of the Company should note that, as the making of the Offer is subject to the satisfaction or waiver of the Pre-Conditions, the Offer may or may not be made. Further, completion of the Offer is subject to the Conditions being satisfied (or waived) and therefore the Offer may or may not become unconditional and may or may not be completed. Accordingly, the issue of the Joint Announcement and this circular does not imply that the Offer will be made or will be completed. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the Shares or other rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

IRREVOCABLE UNDERTAKINGS

Parties to and terms of the Irrevocable Undertakings

As at the Latest Practicable Date, Mr. Francis Cheung was interested in a total of 354,180,065 Shares, of which 43,607,865 Shares are held by Mr. Francis Cheung in his personal capacity, 171,237,000 Shares were held by Power Link, 85,088,000 Shares were held by Long Billion, 33,519,200 Shares were held by Easternfunds and 20,728,000 Shares were held by Grand Thunder, together representing approximately 40.49% of the issued share capital of the Company. Both Power Link and Long Billion are companies controlled by Mr. Francis Cheung. Easternfunds and Grand Thunder are the trustees of a discretionary trust of which Mr. Francis Cheung is the founder.

As at the Latest Practicable Date, Mr. David Chien was interested in a total of 101,021,020 Shares representing approximately 11.55% of the issued share capital of the Company.

As at the Latest Practicable Date, Mr. Victor Fung was interested in a total of 74,867,600 Shares representing approximately 8.56% of the issued share capital of the Company.

LETTER FROM THE BOARD

On 16 August 2013, each of Mr. Francis Cheung, Power Link, Long Billion, Easternfunds, Grand Thunder, Mr. Victor Fung and Mr. David Chien has given an irrevocable undertaking in favour of the Offeror. They hold, in aggregate, 530,068,685 Shares which represent 60.60% of the issued Shares as at the Latest Practicable Date.

Prior to the close, lapse or withdrawal of the Share Offer, each of the Undertaking Shareholders has undertaken to the Offeror that it shall not (and Mr. Francis Cheung has further undertaken to procure that each of Power Link, Long Billion, Easternfunds and Grand Thunder shall not):

- (a) sell, transfer, charge, encumber, grant any option over (or cause the same to be done) or otherwise dispose of any interest in their respective Shares (other than to the Offeror);
- (b) acquire, directly or indirectly, any additional Shares, securities or other interests of the Company; or
- (c) take any action or enter into any agreement or arrangement, including through its representation on the Board (and whether or not legally binding or subject to any condition or which is to take effect after the Share Offer closes or lapses) which, in relation to their respective Shares, would or might restrict or impede its accepting the Share Offer.

Further undertakings by Mr. David Chien

Pursuant to the Irrevocable Undertaking given by Mr. David Chien, Mr. David Chien has also undertaken to the Offeror that he shall perform all his obligations as set out in the Settlement Agreement in respect of the Chien Legal Proceedings. Details of the Settlement Agreement are set out below. Further announcement will be made by the Company upon the withdrawal of the Chien Legal Proceedings.

Mr. David Chien has further undertaken to the Offeror that he shall not, and shall use his best endeavours to procure that his family members or companies controlled by him and/or his family members shall not, institute or threaten to institute any action, proceeding or suit against the Offeror, the Company or any of their respective affiliates or their respective directors with respect to or in connection with the Offer or any of the Special Deal Transactions.

No withdrawal

Each of the Undertaking Shareholders has irrevocably undertaken to the Offeror that it shall not withdraw any acceptance of the Share Offer in respect of their respective Shares. Mr. Francis Cheung has further undertaken to procure that each of Power Link, Long Billion, Easternfunds and Grand Thunder shall not withdraw any acceptance of the Share Offer in respect of their respective Shares.

Termination

The Irrevocable Undertakings will be terminated if (a) the Pre-Conditions are not satisfied or waived before the Long Stop Date; (b) the Offeror fails to publish the Offer Pre-Conditions Announcement after the Pre-Conditions are satisfied or waived; (c) the Offeror fails to despatch the Composite Document within the period required under the Takeovers Code or as required by the Executive; (d) the Share Offer is otherwise not made by the Offeror; or (e) the Share Offer lapses.

LETTER FROM THE BOARD

SETTLEMENT AGREEMENT

The Chien Legal Proceedings arose as a result of the Rescinded Sale and Purchase Agreement where the Company agreed to sell a 40% shareholding in the Company's foundation business to Fortunate Pool. In the Chien Legal Proceedings, Mr. David Chien was seeking an interim injunction from the High Court of Hong Kong to restrain the relevant Directors, whether by themselves or their servants or agents, from directly or indirectly engaging in any act or conduct to perform or further the performance of the Rescinded Sale and Purchase Agreement. Further details are set out in the Company's announcement dated 7 January 2013.

On 16 August 2013, the parties to the Chien Legal Proceedings, amongst others, entered into the Settlement Agreement pursuant to which Mr. David Chien agreed to (i) stay the Chien Legal Proceedings and vacate the relevant hearing dates and file the relevant consent summons with the High Court of Hong Kong within three Business Days after the date of the Settlement Agreement; and (ii) unconditionally withdraw the Chien Legal Proceedings and file the relevant consent summons with the High Court of Hong Kong within three Business Days of the relevant Independent Shareholders approving the Special Deal Transactions and the Non-exempt Connected Transactions. Each of the parties in the Chien Legal Proceedings can lift the stay of any of the Chien Legal Proceedings before it has been withdrawn in the event that (a) the relevant Independent Shareholders do not approve the Special Deal Transactions and/or the Non-exempt Connected Transactions; or (b) the Share Offer is terminated and/or lapsed (whichever is earlier). Mr. David Chien and each of the defendant Directors also waived the enforcement of any costs order in the relevant Chien Legal Proceedings.

During the commercial negotiations between the Offeror and the Company in connection with the Offer, the withdrawal of the Chien Legal Proceedings by Mr. Chien was one of the Pre-Conditions. Parties to the Chien Legal Proceedings were aware of the Offer and wished to achieve a full and final settlement of the Chien Legal Proceedings, and the Settlement Agreement was accordingly entered into.

The Company is a party to the Settlement Agreement in respect of HCMP 841 of 2013. In that proceeding, although the Company is the respondent, what Mr. David Chien is seeking from the court is the right to represent the Company and he is not suing the Company for damages or other substantive remedies other than costs. The other provisions of the Settlement Agreement do not directly involve the Company and are mainly in respect of settling the rights and remedies of Mr. David Chien and the other Directors involved in the Chien Legal Proceedings against one another. The Settlement Agreement does not involve any payment on the part of the Company save for bearing its own costs as set out below and is in substance, conditional on the Independent Shareholders approving the Special Deal Transactions and the Non-exempt Connected Transactions. In this context, the Settlement Agreement, in so far as the Company is concerned, is on normal commercial terms in that it is typical of settlement agreements of its type i.e. the proceedings, where the Company is the respondent, will be withdrawn with each party bearing its own costs, that is, the Company bears its own costs and Mr. David Chien bears his own costs, and that each party is released from all actions, demands and claims from the other party.

LETTER FROM THE BOARD

For further information of the Chien Legal Proceedings disclosed in this section, please also refer to the announcements published by the Company dated 7 January 2013, 18 January 2013, 25 January 2013, 28 February 2013, 23 April 2013, 6 May 2013, 7 May 2013, 10 May 2013, 31 May 2013, 7 June 2013, 21 June 2013, 19 August 2013 and 23 August 2013.

The Company has been informed that by two sealed copy Orders by consent sealed on 22 August 2013 and 23 August 2013 respectively, the High Court of Hong Kong orders that all further proceedings in the Chien Legal Proceedings be stayed and that the hearing date for leave to appeal against an interim order granted by the High Court of Hong Kong in HCMP 2892 of 2012 and HCMP 207 of 2013 respectively be vacated. This is an interim measure and does not mean that paragraph (6) under Pre-Conditions has been fulfilled.

Mr. Li Kit Chee who is the only Director not a party to the legal proceedings is of the view that the Settlement Agreement, containing terms which are typical of settlement agreements whereby each party agrees to release, waive or withdraw all and any actions, demands, claims, obligations and liabilities arising out of the Chien Legal Proceedings, is fair and reasonable and in the interest of the Company and Shareholders as a whole. Given that the other terms of the Settlement Agreement refer to legal proceedings to which the Company is not a party, the Company and Mr. Li Kit Chee make no comment on those terms.

INFORMATION ON TYSAN GROUP

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

Tysan Group is principally engaged in foundation piling, property development, property investment and management, machinery leasing and trading, electrical and mechanical engineering.

LETTER FROM THE BOARD

Shareholding Structure of the Company

The shareholding structure of the Company (a) as at the Latest Practicable Date and (b) following the completion of the Offer (for illustration purposes only and assuming only the Undertaking Shareholders tender their acceptances in respect of an aggregate of approximately 60.60% of the Shares for the Share Offer) is as follows:

	As at the Latest Practicable Date		Following completion of the Share Offer (assuming only the Undertaking Shareholders tender their acceptances in respect of an aggregate of approximately 60.60% of the Shares for the Share Offer)	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Francis Cheung (<i>Note 1</i>)	354,180,065	40.49	0	0.00
Mr. Victor Fung	74,867,600	8.56	0	0.00
Mr. David Chien	<u>101,021,020</u>	<u>11.55</u>	<u>0</u>	<u>0.00</u>
	530,068,685	60.60	0	0.00
Miss Jennifer Kwok	20,000,000	2.29	20,000,000	2.29
Mr. Chiu Chin Hung (<i>Note 2</i>)	7,500,000	0.86	7,500,000	0.86
Mr. Lau Kin Fai (<i>Note 2</i>)	3,200,000	0.37	3,200,000	0.37
Mr. Jackel Cheung (<i>Note 2</i>)	878,000	0.10	878,000	0.10
Mr. Tse Man Bun (<i>Note 2</i>)	442,000	0.05	442,000	0.05
Offeror and parties acting in concert with it	0	0.00	530,068,685	60.60
Public Shareholders	<u>312,577,218</u>	<u>35.73</u>	<u>312,577,218</u>	<u>35.73</u>
	<u>874,665,903</u>	<u>100.00</u>	<u>874,665,903</u>	<u>100.00</u>

Note 1: The number of shares includes: (a) 171,237,000 Shares held by Power Link and 85,088,000 Shares held by Long Billion, both of which are controlled by Mr. Francis Cheung; and (b) 33,519,200 Shares held by Easternfunds and 20,728,000 Shares held by Grand Thunder, the trustees of a discretionary trust which Mr. Francis Cheung is the founder.

Note 2: Mr. Chiu Chin Hung, Mr. Lau Kin Fai, Mr. Jackel Cheung and Mr. Tse Man Bun are Directors.

LETTER FROM THE BOARD

INTENTION OF THE DIRECTORS

Assuming the Offer are to be implemented, it is the intention of the existing Directors for the period between the Latest Practicable Date up to the Closing Date that (i) they will continue the business of Tysan Group; (ii) they will not make major changes to the business of Tysan Group or to dispose of or re-deploy the assets of Tysan Group other than in its ordinary and usual course of business; and (iii) they will continue to employ the existing number of employees of Tysan Group other than the usual turnover of employees during the ordinary and usual course of business of Tysan Group.

It is the intention of Mr. Francis Cheung that he will resign as an Executive Director upon or before the expiry of three months after the Unconditional Date and shall remain as a Director and a director of the Company's subsidiaries which he serves as a director at all times up to and until his resignation.

It is the intention of Mr. David Chien that he will resign from the Board with effect from the later of the First Closing Date or the Unconditional Date, if he has not resigned earlier.

It is the intention of Mr. Victor Fung that he will remain as an Executive Director.

It is the intention of Miss Jennifer Kwok that she will remain as an Executive Director for up to six months after the Unconditional Date.

As at the Latest Practicable Date, the Company has not received any notice from any other Director that he intends to resign as a Director should the Offer become unconditional and close but the Company cannot give any assurance that there will be no other resignations. Any changes to or resignations by a Director after completion of the Offer will be announced in accordance with the Listing Rules.

Pursuant to the Irrevocable Undertakings, each of Mr. Francis Cheung, Mr. Victor Fung and Mr. David Chien has given certain pre-completion undertakings in favour of the Offeror for the period from the date of the Irrevocable Undertakings until his resignation as Director or the Unconditional Date, whichever is the later and in the case of Mr. Victor Fung, until the Final Closing Date, except in connection with the Special Deal Transactions or otherwise agreed in writing by the Offeror, he shall not exercise his voting rights in the general meeting of any member of Tysan Group or exercise his power or authority as a member of the board of directors of any member of Tysan Group to support the approval of, among other things, the following matters:

- (i) the taking of any step or action which may give rise to any circumstance that could result in a breach of Rule 4 and General Principle 9 of the Takeovers Code;
- (ii) the declaration, making or payment of any dividend or other distribution to its shareholders save for the dividends which have been declared as at the date of the Irrevocable Undertakings and any dividend declared and paid by Tysan Building Construction (China) to Tysan Building Construction representing the proceeds received from the Great Prosper Acquisition;

LETTER FROM THE BOARD

- (iii) the entering into of any new material contracts or renewal or amendments to the terms and conditions of any existing material contracts;
- (iv) the entering into of any guarantee, indemnity or other agreement to secure any obligation of a third party (other than a member of Tysan Group) or the creation of any encumbrance over any of its assets or undertaking other than any guarantee, indemnity or encumbrance which are in place as at the date of the Irrevocable Undertakings; and
- (v) the carrying out of any action which is likely to materially jeopardise or diminish the value of any tangible assets of any members of Tysan Group.

COMPULSORY ACQUISITION AND LISTING STATUS OF THE COMPANY

Section 102(1) of the Companies Act provides that if, within four months after making the Share Offer, holders of not less than 90% in value of the Shares (excluding those Shares held at the date of the Share Offer by, or by a nominee for, the Offeror or its subsidiary) approve the Share Offer, the Offeror may acquire the Shares of any dissenting Shareholder. The Offeror may, within two months beginning from the date on which such approval is obtained, give notice to any dissenting Shareholder that it desires to acquire that Shareholder's Shares ("**notice of compulsory acquisition**"). The Shares must be acquired on the same terms as those of the Share Offer. Dissenting Shareholders may apply to the Supreme Court of Bermuda to object to the proposed compulsory acquisition within one month on which the notice of compulsory acquisition was given.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise the Company by means of the Share Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Act, acceptances of the Share Offer and purchases (in each case of the disinterested Shares) made by the Offeror and persons acting in concert with it during the period of four months after posting of the Composite Document total 90% of the disinterested Shares.

If the Offeror obtains the prescribed percentage of approval from holders of Shares approving the Share Offer as required by Section 102(1) of the Companies Act and is permitted to do so under Rule 2.11 of the Takeovers Code, the Offeror intends to consider availing itself of the powers of compulsory acquisition under Section 102(1) of the Companies Act.

According to Rule 15.6 of the Takeovers Code, since the Offeror intends to consider availing itself of the powers of compulsory acquisition under the Companies Act to compulsorily acquire those Shares not acquired by the Offeror under the Share Offer, the Share Offer may not remain open for acceptance for more than four months from the posting of the Composite Document, unless the Offeror has by that time become entitled to exercise such powers of compulsory acquisition available to it under the Companies Act, in which event the Offeror must do so without delay.

LETTER FROM THE BOARD

If the level of acceptances of the Share Offer reaches the prescribed level under Section 102(1) of the Companies Act and Rule 2.11 of the Takeovers Code permits a compulsory acquisition, and if the Offeror proceeds with the exercise of such compulsory acquisition rights and the privatisation of the Company, the Company will apply for the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules and a suspension of dealings in the Shares from the close of the Share Offer up to the withdrawal of listing of Shares from the Stock Exchange.

In the event that the Offeror does not effect the compulsory acquisition of the remaining Shares, whether by reason of not having acquired the prescribed percentage as required under the Companies Act or otherwise, the Offeror may take such steps as are necessary to ensure, or procure the Company to take such steps as are necessary to ensure, that the Company maintains an adequate public float so as to comply with the applicable requirements of the Listing Rules.

According to the Listing Rules, if, upon the close of the Offer, less than 25% of the issued Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares. In this connection, it should be noted that upon the close of the Share Offer, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained, and each of the Offeror and the Company will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after closing of the Share Offer.

No dividend or other distribution

Subsequent to the payment of a final dividend paid by the Company on 6 September 2013 for the year ended 31 March 2013, the Company does not intend to declare or pay any dividend or other distribution on the Shares before the Closing Date.

SPECIAL DEAL TRANSACTIONS AS PRE-CONDITION OF THE OFFER

Taking into account discussions that had taken place during the Company's discussions with the Offeror in connection with the Offer, the Board believed that a focus on its two core businesses (foundation and property development) upon completion of the Offer would result in the Company being in a position to negotiate a better price per Share from the Offeror, which is a price that accrues to all Shareholders. For the avoidance of doubt, the Offer would not proceed without the approval of the Special Deal Transactions by the Independent Shareholders, being one of the Pre-Conditions.

SPECIAL DEAL TRANSACTIONS (INCLUDING NOTIFIABLE AND CONNECTED TRANSACTIONS)

In agreeing the consideration payable under each of the Special Deal Transactions where companies are bought or sold, the relevant parties had agreed a value for each company bought or sold by reference to the shareholding percentage being bought or sold and the corresponding pro rata share of shareholder's loans, if any. Generally speaking, the terms of these shareholder's loans are that: (a) they are not repayable on demand; (b) they are not to be repaid within 1 year; (c) they bear no interest;

LETTER FROM THE BOARD

(d) they are utilized in the business; and (e) they are contributed pro rata by the shareholders according to their respective shareholding, just as the original proceeds of the equity. Accordingly, given these features of the shareholder's loans, the Board has, in consideration of some of their analysis below, treated such shareholder's loans like equity.

Regardless of the apportionment between the parties of the consideration between the shareholding percentage and the shareholder's loan, given the terms and circumstances under which such shareholder's loans are advanced as described above, the Board has treated the shareholder's loan like equity and therefore, when analysing in this letter whether the consideration paid or received is at a premium or discount against certain financial parameters, references are made to "equity stake", meaning the sum of the value of the shareholding percentage and the amount of the related pro rata shareholder's loan.

The Independent Financial Adviser has also confirmed that it considers it appropriate to value the equity stake of a company which has debts by reference to a price earnings ratio. This method of valuation is indeed the most commonly used method to value the equity stake in companies, and the majority of these companies have debts.

We believe that for the Board's analysis of valuation, it is important to compare "like with like" ("apples-to-apples"). Debt is taken into account in a price to earnings valuation because interest on the debt has already been subtracted from profits to calculate "earnings". Once the debtholders have received their interest, the remaining earnings are attributable only to the shareholders. Therefore, when a multiple is applied to those earnings, the resulting value is a value attributable to the shareholders alone. Consequently, a price earnings valuation is a suitable way of valuing the shareholders interest in a company whether or not that company has debts.

If on the other hand, a company or business as a whole is valued by reference to cash flow, i.e. profits before deduction, inter alia, of interest, that value must be divided among the claimants on that cash flow, i.e. both debt-holders and shareholders.

A further factor arises when valuing the equity stake in a private company. When using the price earnings multiple, the normal way of establishing an appropriate multiple is by reference to the multiples of comparable companies. As relevant information is normally only available on publicly listed companies, the multiples are drawn from listed companies. Listed public companies by their nature have substantial paid-up share capitals.

Private companies, however, typically only have a relatively small share capital and the remaining necessary equity stake is mainly injected through shareholder's loans, which are more convenient. This is the case with Tysan Foundation (Hong Kong) and Tysan Building Construction being valued. Such loans are part of shareholders' funds and have the main characteristics of equity stake as described above — they do not pay interest and have no fixed repayment date.

LETTER FROM THE BOARD

From a valuation point of view (and bearing in mind that the multiple of earnings is drawn from comparable publicly listed companies), the key point is whether shareholder's loans carry interest and, if so, whether it is at commercial rates. If the shareholder's loans do carry interest at commercial rates, then that interest will be deducted from earnings used to calculate the value of equity stake, reducing that value. Consequently, it would be correct to consider the loans separately, as though they were commercial loans. However, if the shareholder's loans do not carry interest, then no interest is deducted from the earnings used to calculate value and that value represents a package of nominal share capital plus shareholder's loans.

This is the case with Tysan Foundation (Hong Kong) and Tysan Building Construction — the value of the equity stake calculated by the Business Valuer represents the package of nominal share capital plus shareholder's loans. While the figure for value could be divided into two components (say the shareholder's loan taken at dollar-for-dollar face value, with the balance of the value attributed to the share capital), in our view it is not useful or instructive to do so. If we were to present the figures in that way, to be consistent we would have to deduct the amount attributed to the shareholder's loan from the figure for the value of the equity stake, so the result would be the same.

An example is given below, which shows the premium of the equity portion of the consideration for Tysan Foundation (Hong Kong) Disposal over valuation is approximately HK\$3.2 million. The same amount can be arrived at by comparing the aggregate consideration of HK\$157.0 million and the business valuation of Tysan Foundation (Hong Kong) of approximately HK\$153.8 million:

	HK\$'000	HK\$'000
Equity portion of the consideration		125,000
Business valuation for the 40% equity stake in Tysan Foundation (Hong Kong)	153,837	
Less: 40% of the shareholder's loan	(32,000)	
		121,837
Premium		3,163
<i>Premium (%)</i>		2.6%

LETTER FROM THE BOARD

(1) Great Prosper Acquisition

Date

16 August 2013 (as amended on 22 November 2013)

Parties Involved

Vendor: Tysan Building Construction (China)

Purchaser: Duncan Properties

Tysan Building Construction (China) is an investment holding company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Tysan Building Construction. The issued share capital of Tysan Building Construction is owned as to 49% by Tysan Construction and 51% by Victor Create (a company owned as to 60% by Mr. Victor Fung and as to 40% by Mr. Jackel Cheung). As both Mr. Victor Fung and Mr. Jackel Cheung are Executive Directors, Victor Create is a connected person of the Company. As Tysan Building Construction is owned as to 51% by Victor Create and therefore a subsidiary of Victor Create, Tysan Building Construction and its wholly-owned subsidiary Tysan Building Construction (China) are associates of Victor Create. Mr. Victor Fung and Mr. Jackel Cheung are interested in approximately 8.58% and 0.10% in the existing issued share capital of the Company, respectively. Mr. Jackel Cheung is also a son of Mr. Francis Cheung.

Duncan Properties is an investment holding company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company.

Subject matter

- (i) 20% equity interest in Great Prosper; and
- (ii) the interest-free shareholder's loan owing by Great Prosper to Tysan Building Construction (China) which, as at the date of the Great Prosper SPA and the Latest Practicable Date, was HK\$31,560,000. Such shareholder's loan is expected to remain unchanged upon completion of the Great Prosper Acquisition.

Consideration

The total consideration for the Great Prosper Acquisition, including the abovementioned shareholder's loan, is HK\$129,411,764. The total consideration for the Great Prosper Acquisition will be satisfied in cash upon completion of the Great Prosper Acquisition.

The total consideration including the abovementioned shareholder's loan for the Great Prosper Acquisition was determined after arm's length negotiations between Duncan Properties and Tysan Building Construction (China) and is on normal commercial terms. The consideration was determined by reference to past transactions at the Tianjin Riverside Project and comparable market transactions in the locality. The Tianjin Riverside Project comprises residential and commercial area, car parks and a club house. Vigers Appraisal and Consulting Limited, an independent property valuer, had been engaged in anticipation of the connected transaction and had, on certain bases and assumptions, ascribed values to each of the residential and commercial area, car parks and a club house in a draft

LETTER FROM THE BOARD

valuation report. A comparison was made, in respect of residential parts of the property, between data in that draft valuation report and the actual selling prices by Tysan Group already taking place and for commercial and other parts, the valuer showed the Company data of transactions of similar types of property the valuer considered to be relevant. For example, the assumed average selling price of the unsold residential units is RMB26,000 per sqm is similar to residential properties in property developments in the area and the actual transacted price at the Tianjin Riverside Project for July 2013 was RMB26,313 per sqm with sales in early August 2013 at RMB27,174 per sqm; the assumed average selling price of the unsold commercial properties is RMB37,251 (the range in the area is RMB30,000 per sqm to RMB43,740 per sqm); and for the carparks, the assumed average selling price of the car park is RMB150,000 per car park (the range in other developments is RMB120,000 to RMB180,000 per car park). As the unsold properties in the Tianjin Riverside Project are still under renovation, the independent property valuer also took into account the normal construction costs that would be expended to complete the development to reflect the quality of the Tianjin Riverside Project when completed and further assumed that the suitability of the ground conditions are satisfactory so that no extraordinary expenses or delays will incur during the construction period. The relevance of such data was to check if the basis of the property valuation used in negotiations was reasonable. That valuation report has been finalised and is now set out in Appendix II to this circular.

The valuation of the properties at the Tianjin Riverside Project as disclosed in the valuation report set out in Appendix II of this circular is approximately RMB1.19 billion (approximately HK\$1.50 billion). Such amount includes the valuation of 48 residential units that are pre-sold but not yet delivered to individual purchasers. The aggregate contracted price for and the valuation of these 48 residential units that have been sold but not yet handed over to purchasers as at 31 August 2013 was RMB173.2 million and RMB154.3 million respectively. The contracted price of these properties is higher than that used in the valuation report set out in Appendix II of this circular. According to sale and purchase agreements of these units, which are legally binding on the parties concerned, if either Tysan Tianjin has not yet completed the fitting out work of these properties or the individual purchasers have not yet fully paid the contract sum to Tysan Tianjin, the risk and rewards attaching to these units will not have been legally transferred from Tysan Tianjin to those individual purchasers as at 31 August 2013. The ownership of these units in those circumstances continues to vest in Tysan Tianjin and therefore those units are included in computing the adjusted net asset value of Great Prosper. After taking into account the net asset value of Great Prosper which was HK\$83.45 million as at 31 December 2012, including the adjustments of surplus of the properties at valuation over the net asset value (which was HK\$750.83 million) and delivery of properties during the eight months ended 31 August 2013 (which was HK\$54.89 million representing sales proceeds of the properties delivered less the net book value and the relevant taxes including business tax, land appreciation tax, corporate income tax and stamp duty) and removing the duplication of and deducting the relevant land appreciation tax, corporate income tax and stamp duty (which together was HK\$336.55 million), it was agreed between the vendor and purchaser of the Great Prosper Acquisition that the net asset value of Great Prosper was approximately HK\$552.62 million. 20% of this is approximately HK\$110.52 million. Consequently, the equity stake of Great Prosper is approximately HK\$135.08 million, being the sum of the HK\$110.52 million (representing 20% of aforesaid net asset value) and HK\$24.56 million (being 20% shareholder's loan from Tysan Building Construction (China) as at 31 December 2012). The consideration of approximately HK\$129.41 million represents a discount in favour of the Company of approximately 4%.

LETTER FROM THE BOARD

Tysan Building Construction (China) has undertaken that, immediately after completion of the Great Prosper Acquisition, it shall apply the proceeds received from the Great Prosper Acquisition in repayment of all shareholder's loan and by way of dividend to its sole shareholder, Tysan Building Construction and will procure Tysan Building Construction to distribute such proceeds to its shareholders, namely Tysan Construction as to 49% (being HK\$63,411,764) and Victor Create as to 51% (being HK\$66,000,000), prior to the consummation of the Tysan Building Construction Disposal.

The Board considers that, for the reasons set out under the sections headed "Consideration" above and "Reasons for the Great Prosper Acquisition" in this letter, including the discount to the net asset value of Great Prosper as described above, the terms of the Great Prosper Acquisition (as a special deal for the purpose of Rule 25 of the Takeovers Code and a connected transaction for the purpose of Chapter 14A of the Listing Rules) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Great Prosper Acquisition is conditional upon the satisfaction (or waiver) of the following conditions:

- (a) the consent of the Executive having been obtained to proceed with, and the Independent Shareholders having approved at the SGM, the Great Prosper Acquisition in accordance with Note 4 to Rule 25 of the Takeovers Code;
- (b) all regulatory consents and authorisations of any Relevant Authorities which are necessary and required for the purpose of implementing and completing the Great Prosper Acquisition having been obtained and remaining in full force and effect pursuant to the provisions of any laws or regulations in any relevant jurisdiction;
- (c) all mandatory consents from banks and/or third parties, if any, in relation to the Great Prosper Acquisition required pursuant to any agreement to which it is a party having been obtained or waived by the relevant party(ies);
- (d) no government action, court order or legal proceedings having been taken or made at any time prior to the completion of the Great Prosper Acquisition that has the effect of making unlawful otherwise prohibiting or restriction the consummation of the Great Prosper Acquisition, or any other transaction contemplated under the Great Prosper SPA;
- (e) all representations and warranties in the Great Prosper SPA being true and accurate in all respects and not misleading in any respect as of completion of the Great Prosper Acquisition; and
- (f) the Share Offer having become or being declared unconditional in all respects.

In the event that any of the above conditions precedent is not satisfied (or, in the case of (c) or (e), waived by Duncan Properties) by the parties on or before the Long Stop Date, the Great Prosper SPA will lapse and neither party to the Great Prosper SPA will have any obligation or liability thereunder save for antecedent breaches.

LETTER FROM THE BOARD

As at the Latest Practicable Date, none of the above conditions precedent of the Great Prosper SPA has been waived or fulfilled.

Completion

Subject to the satisfaction (or in the case of (c) or (e), waiver by Duncan Properties) of the above conditions precedent, completion of the Great Prosper Acquisition shall take place on the tenth Business Day after the First Closing Date or such other date as the parties may agree in writing.

Information on Great Prosper

Great Prosper was incorporated by Tysan Group in 2002 and its authorised share capital is HK\$10,000 divided into 10,000 shares of HK\$1.00 each and its issued share capital at the time of incorporation was HK\$100 divided into 100 shares of HK\$1.00 each.

Great Prosper is a company incorporated in Hong Kong with limited liability, which is owned as to 80% by Duncan Properties and 20% by Tysan Building Construction (China).

Great Prosper is an investment holding company and its wholly-owned subsidiary Tysan Tianjin is principally engaged in property development in Tianjin, PRC. As at the Latest Practicable Date, Tysan Tianjin had no material assets or businesses other than its interests in the Tianjin Riverside Project. The Tianjin Riverside Project is the property development project known as “The Riverside”, located at the south side of the junction of Tai Er Zhuang Road and Qiongzhou Road, Hexi District, Tianjin, PRC with 6 towers with a total gross floor area of approximately 77,084.18 square metre, consisting commercial area, 477 residential units, a clubhouse and carpark area. The Tianjin Riverside Project is now in its final stage of development, and has been generating cash flow from its pre-sale of residential units and making a significant contribution to the Tysan Group’s profit. For the year ended 31 December 2012, revenue of approximately HK\$396.9 million was recognised for approximately 13,524 sqm of residential units delivered, with an average selling price of approximately HK\$29,350 per sqm while profit after tax amounted to approximately HK\$66.88 million. As at 31 August 2013, 223 residential units have been sold, of which 175 units have been delivered to purchasers.

LETTER FROM THE BOARD

The consolidated net asset value of Great Prosper as of 31 December 2012, based on the audited accounts of Great Prosper for the year ended 31 December 2012, is approximately HK\$83.45 million. The consolidated net profit/(loss) of Great Prosper for the last two financial years ended 31 December 2011 and 2012 are as follows:

	For the year ended	
	31 December	
	2012	2011
	HK\$'000	HK\$'000
Net profit/(loss) before taxation	137,421	(12,080)
Net profit/(loss) after taxation	66,882	(12,397)

Reasons for the Great Prosper Acquisition

Taking into account the possible Offer, the Company decided that it was a good opportunity to consider and restructure its shareholdings in some investments so as to eliminate minority shareholdings in one of the Company's core businesses, property development, thereby believing that the Company would negotiate a better price from the Offeror. To the extent that the Company purchases an asset (as is the case here) at a consideration which it believes is beneficial to the Company, its financial results will now include what was a former minority interest. With a 100% interest in and therefore an ability to consolidate fully for this property development project, the Company would then be in a better position to negotiate a better price per Share from the Offeror which is a price that accrues to all Shareholders.

For this reason, the Company has taken the step of acquiring the 20% equity stake in Great Prosper not currently held by Duncan Properties and which, after completion of the Great Prosper Acquisition, will become wholly-owned by the Company. By eliminating such minority interests, the Company is able to consolidate fully its interests in the Tianjin Riverside Project at a time when the risks are lowered as the project is substantially complete. The Offer itself is conditional on Shareholders approving, among other transactions, the Great Prosper Acquisition. So, in order to facilitate the Offer to all shareholders of the Company, the Board is of the view that such transaction should be put to Shareholders for their vote in compliance with the Listing Rules and the Takeovers Code. There is another property development owned by the Company with a 3% minority interest but that shareholder refused to sell and hence that minority interest is not disposed of.

Effect of the Great Prosper Acquisition

Upon completion of the Great Prosper Acquisition, Great Prosper will become a wholly-owned subsidiary of Duncan Properties and hence, an indirect wholly-owned subsidiary of the Company. Consolidated assets, liabilities and results of Great Prosper and its subsidiary will continue to be 100% accounted for in the Company's consolidated financial statements.

As the Great Prosper Acquisition will not result in any change in control by the Company over Great Prosper, the excess of net cash consideration of approximately HK\$66.00 million over the

LETTER FROM THE BOARD

decrease in carrying amount of non-controlling interest of approximately HK\$8.51 million as at 31 December 2012 and the decrease in loan from a non-controlling interest of approximately HK\$12.53 million as at 31 December 2012, is recognised directly in equity. The Great Prosper Acquisition will have no impact on the consolidated income statement of the Company.

(2) Tysan Foundation (Hong Kong) Disposal

Date

16 August 2013 (as amended on 18 August 2013 and 22 November 2013)

Parties Involved

Vendor: the Company

Purchaser: Fortunate Pool, a company wholly-owned by Mr. Victor Fung

Fortunate Pool is an investment holding company incorporated in Hong Kong with limited liability, which entire issued share capital is owned by Mr. Victor Fung. Mr. Victor Fung is an Executive Director and hence a connected person of the Company. As at the Latest Practicable Date, Mr. Victor Fung is interested in approximately 8.56% in the issued share capital of the Company.

Subject matter

- (i) 40% equity interest in Tysan Foundation (Hong Kong); and
- (ii) 40% of the interest-free shareholder's loan owing by Tysan Foundation (Hong Kong) to the Company. As at the date of the Tysan Foundation (Hong Kong) SPA and the Latest Practicable Date, such 40% of the interest-free shareholder's loan was HK\$32,000,000. Such shareholder's loan is expected to remain unchanged until completion of the Tysan Foundation (Hong Kong) Disposal.

Consideration

The total consideration for the Tysan Foundation (Hong Kong) Disposal including the abovementioned shareholder's loan, is HK\$157,000,000 (of which HK\$125,000,000 is attributed to 40% of Tysan Foundation (Hong Kong) and HK\$32,000,000 is attributed to the abovementioned shareholder's loan). The value of the 40% shares and related shareholder's loan is hereafter referred to as the 40% equity stake of Tysan Foundation (Hong Kong). The total consideration for the Tysan (Hong Kong) Disposal will be satisfied in cash upon completion of the Tysan Foundation (Hong Kong) Disposal.

The total consideration including the abovementioned shareholder's loan was determined after arm's length negotiations between the Company and Mr. Victor Fung and is on normal commercial terms taking into account, inter alia, the fluctuation in Tysan Foundation (Hong Kong)'s earnings in the past and business prospects in the foundation industry with increased competition and escalating costs despite the opportunities arising from the commencement of piling works for major infrastructures in Hong Kong (which include HK-Macau-Zhuhai bridge and MTR Shatin Central Link) and casino related projects in Macau (which include Wynn Phase 2, Venetian Parcel 3 and MGM

LETTER FROM THE BOARD

Cotai), the retention of a majority stake control by the Company as to 60% and the minority stake to be acquired by Mr. Victor Fung as to 40%, the lack of liquidity of the shares as Tysan Foundation (Hong Kong) is not listed, and where applicable, Tysan Foundation (Hong Kong)'s dependence on key personnel, primarily Mr. Victor Fung, who has the expertise, experience and connections in the foundation industry. There is no scientific quantification of how each and every factor mentioned above is quantified in monetary terms. The basis of determination of consideration and how it compares in terms of earning multiples or net asset values, including an independent business valuation is provided. No specific amount was added or deducted in respect of fluctuations in profit margin, lack of liquidity and dependence on key management although these factors were taken into account in the overall negotiations of terms. However, given that the Board believes that Mr. Victor Fung is the best candidate for the Tysan Group in continuing and growing the foundation business (which has been contributing a majority of Tysan Group revenue in recent years), the Company is prepared to offer a price that can retain Mr. Victor Fung in the Tysan Group and is acceptable to him.

For purposes of further analysis prior to entry of the Tysan Foundation (Hong Kong) Disposal, a price to earnings and a net asset value approach were considered. Given that the 40% equity stake of Tysan Foundation (Hong Kong) is agreed by the parties to be sold for HK\$157.00 million, 100% equity stake of Tysan Foundation (Hong Kong) would be HK\$392.50 million. The profit after taxation of Tysan Foundation (Hong Kong) for the year ended 31 March 2013 was approximately HK\$27.40 million. Consequently, on a price to earnings ratio, this was approximately 14.30 times. At the time of negotiation of the Tysan Foundation (Hong Kong) Disposal, the Board did not have the benefit of a business valuation. As disclosed in the Company's annual report for the year ended 31 March 2013, the revenue attributable to the foundation business for year ended 31 March 2013 was approximately 77% and the segmented results approximating the profit attributable to the foundation business for the same period was 22%. Given that the foundation business is a significant contributor to the Company's consolidated profit, the price to earnings ratio of the Company was taken as a general proxy for how Shareholders valued the foundation business. In addition, given the parties to the Tysan Foundation (Hong Kong) Disposal had the benefit of agreeing the terms after the publication of the Company's annual results for the year end 31 March 2013, it was considered appropriate to compare the aforesaid 14.30 times against the average closing price per Share for the 10 consecutive trading days after the financial results of the Company for the year ended 31 March 2013 were announced. The price per Share as determined by the market after the announcement of financial results of the Company for the year ended 31 March 2013 would then take into account the latest audited financial results, being the same financial year end results taken into account when negotiating the terms of the Tysan Foundation (Hong Kong) Disposal. The 10-day average share price times the number of Shares issued as at 31 March 2013 when divided by the net profit of the Company for the year ended 31 March 2013 was approximately 4.81 times. The closing price per Share on the Last Trading Day times the number of shares issued as at 31 March 2013 when divided by the net profit of the Company for the year ended 31 March 2013 was 6.51 times and that as at the Latest Practicable Date was 7.06 times. Accepting that using the price to earnings ratio of the Shares is only a general proxy for comparing the price to earnings ratio for the consideration agreed in the Tysan Foundation (Hong Kong) Disposal, the Board believes that a price to earnings ratio of 14.30 times as mentioned above is in the Company's favour given the single digit multiple when comparing the price to earnings ratio of the Shares. The Board compared the price to earnings ratio in connection with the Tysan Foundation (Hong Kong) Disposal, being the equity stake divided by the earnings of the companies subject to the disposal, with the price to earnings ratio of the Shares because a price to earnings ratio is one way of assessing a transaction

LETTER FROM THE BOARD

of this type. The Board did not compare the price to earnings ratios of other listed companies in similar businesses as the Board knows from its experience that there is some divergence in the business make up of other listed companies and there is not one company that has exactly the same business proportion between property development, foundation businesses and others. This is an exercise best left to experts like the Business Valuer but given their knowledge of the business, its history and views as to prospects, there was enough information, including the price earnings ratio analysis and analysis below, for the Board to come to their view as to whether the terms of the Tysan Foundation (Hong Kong) Disposal are fair and reasonable to the Company and the Shareholders as a whole.

The combined net asset value of Tysan Foundation (Hong Kong) Group as of 31 March 2013 is set out below and on a net asset value basis, such 40% is approximately HK\$124.86 million (excluding the shareholder's loan). The consideration of HK\$157.00 million payable to the Company would be reduced to HK\$125 million if the shareholder's loan being acquired was excluded, representing a premium of approximately 0.11% to the abovementioned net asset value. However, when the value of the shareholders' loan is added to the aforesaid 40% net asset value, it is about HK\$156.86 million, resulting in a premium of approximately 0.09% from an equity stake perspective (which is used to value both equity and shareholders' loan).

In light of the fluctuation in the earnings of Tysan Foundation (Hong Kong) over the last two years and that the profit before taxation for 31 March 2013 was significantly lower than that in the prior year, the Board has also, in coming to its views as set out in this letter and now that it has the benefit and can take into account the business valuation of Tysan Foundation (Hong Kong) as set out in Appendix III to this circular, considered the valuation as provided by the Business Valuer. The Business Valuer has valued the 40% equity stake of Tysan Foundation (Hong Kong) as at 31 August 2013 at HK\$153.8 million. This consideration payable to the Company under the Tysan Foundation (Hong Kong) Disposal for such 40% equity stake is HK\$157.00 million, thereby representing a premium of approximately 2.08% to the equity stake stated in the business valuation.

The Board considers that, for the reasons set out under the sections headed "Consideration" above and "Reasons for the Tysan Foundation (Hong Kong) Disposal" in this letter, including the relatively small premium to the net asset value of Tysan Foundation (Hong Kong) as described above, the terms of the Tysan Foundation (Hong Kong) Disposal (as a special deal for the purpose of Rule 25 of the Takeovers Code and a connected transaction for the purpose of Chapter 14A of the Listing Rules) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Tysan Foundation (Hong Kong) Disposal is conditional upon the satisfaction (or waiver) of the following conditions:

- (a) the consent of the Executive having been obtained to proceed with, and the Independent Shareholders having approved at the SGM, the Tysan Foundation (Hong Kong) Disposal in accordance with Note 4 to Rule 25 of the Takeovers Code;

LETTER FROM THE BOARD

- (b) the Company having obtained the approval of the Independent Shareholders at the SGM in respect of the Tysan Foundation (Hong Kong) Disposal in accordance with the applicable requirements under the Listing Rules;
- (c) no government action, court order or legal proceedings having been taken making the Tysan Foundation (Hong Kong) Disposal unlawful;
- (d) the Share Offer having become or being declared unconditional in all respects;
- (e) the representations and warranties as set out in the Tysan Foundation (Hong Kong) SPA remaining true and accurate in all material respects and not misleading in any material respects as of completion of the Tysan Foundation (Hong Kong) Disposal; and
- (f) the Deed of Counter-Indemnity having been executed by Fortunate Pool and Mr. Victor Fung in favour of the Company.

In the event that any of the above conditions precedent is not satisfied or waived by the parties (other than conditions (a), (b), (c), (d) and (f) which cannot be waived) on or before the Long Stop Date, the Tysan Foundation (Hong Kong) SPA will lapse and neither party to the Tysan Foundation (Hong Kong) SPA will have any obligation or liability thereunder save for antecedent breach.

As at the Latest Practicable Date, none of the above conditions precedent of the Tysan Foundation (Hong Kong) SPA has been waived or fulfilled.

Completion

Subject to the satisfaction or waiver (other than conditions (a), (b), (c), (d) and (f) which cannot be waived) of the above conditions precedent, completion of the Tysan Foundation (Hong Kong) Disposal shall take place on the tenth Business Day after the First Closing Date or such other date as the parties may agree in writing.

Information on Tysan Foundation (Hong Kong)

Tysan Foundation (Hong Kong) is a company incorporated in Hong Kong with limited liability in 2000, which is currently a direct wholly-owned subsidiary of the Company. Members of Tysan Foundation (Hong Kong) Group are principally engaged in the business of foundation piling related works (including foundation piling, substructure and basement construction, site formation, ground investigation, landslip preventive and slope works, demolition as well as road and drainage works) for public and/or private sectors and/or non-government organisations.

Over the years, Tysan Foundation (Hong Kong) has obtained a range of licences and registrations to become eligible to undertake foundation and related works in both private and public sectors in Hong Kong. Major projects completed or on hand include, inter alia, the Galaxy project in Cotai, Macau, the Wynn project in Cotai Macau, Hong Kong Housing Authority's project in Tung Chung Area 56, Wheelock's project in Mount Nicholson and Nan Fung's project on Chai Wan Road.

LETTER FROM THE BOARD

As at 30 June 2013, Tysan Foundation (Hong Kong)'s assets mainly comprised of trade receivables of approximately HK\$741.5 million, amounts due from related companies of approximately HK\$239.0 million, property, plant and equipment of approximately HK\$185.4 million and cash and bank balances of approximately HK\$162.3 million.

The Group's business strategy is to continue to be the leader in the foundation industry in Hong Kong and Macau. With the business being led by the same key management, the Company expects to maintain its established market position and will continue to expand its business based on long term client relationship and successful track records.

The combined net profits of Tysan Foundation (Hong Kong) Group for the last two financial years ended 31 March 2012 and 2013, based on the audited accounts of Tysan Group as at 31 March 2012 and 2013, are as follows:

	For the year ended	
	31 March ^(Note)	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profits before taxation	37,880	194,786
Net profits after taxation	27,403	160,686

Note: Tysan Foundation (Hong Kong) Group, being 100% owned subsidiaries of the Company, have had its results been consolidated in the audited financial statements of the Company. There are no audited consolidated financial statements of Tysan Foundation (Hong Kong) Group but the combined financial information is prepared based on the audited financial statements of individual entities comprising Tysan Foundation (Hong Kong) Group. Prior to a group reorganization which was completed in September 2012, certain entities comprising the current Tysan Foundation (Hong Kong) Group were not subsidiaries of Tysan Foundation (Hong Kong) but were under common control by the Company. Therefore, financial information of Tysan Foundation (Hong Kong) Group for the years ended 31 March 2012 and 2013 were prepared "as if they were already subsidiaries of Tysan Foundation (Hong Kong) as at 1 April 2011" basis so that Shareholders would have a better comparison of like for like. Upon completion of the group reorganization completed in September 2012, all entities engaged in foundation piling and related business became subsidiaries of Tysan Foundation (Hong Kong).

The turnover attributable to the Tysan Foundation (Hong Kong) Group increased by 30.51% to approximately HK\$2.90 billion for the year ended 31 March 2013. However, due to increased competition, rising costs and unexpected delays in some projects, the net profits after taxation decreased by 82.95% to HK\$27.40 million as compared to that in 2012. The combined net asset value of Tysan Foundation (Hong Kong) Group as of 31 March 2013, based on the audited accounts of Tysan Group as at 31 March 2013, is approximately HK\$312.16 million. For the purpose of illustration, based on the combined net asset value of Tysan Foundation (Hong Kong) Group as of 31 March 2013, the net asset value attributable to 40% of the shareholding interest in Tysan Foundation (Hong Kong) is approximately HK\$124.86 million.

LETTER FROM THE BOARD

Reasons for the Tysan Foundation (Hong Kong) Disposal

The Board considers that the Tysan Foundation (Hong Kong) Disposal will be beneficial to the Company for the following reasons:

- (1) Mr. Victor Fung who has over 34 years of experience in the field of consulting engineering, construction management, foundation piling and property development, is considered to be the key person in leading Tysan Foundation (Hong Kong) Group and is considered to be essential to its growth and development. Tysan Foundation (Hong Kong) is that which Mr. Victor Fung assisted to build and expand through his knowledge of the foundation piling business, his network of relationships and contacts with property developers. After due consideration, the Tysan Foundation (Hong Kong) Disposal is considered an effective and practical means of maintaining the continuity, stability and growth of Tysan Foundation (Hong Kong) Group by establishing a long term and strategic alliance with Mr. Victor Fung.
- (2) Tysan Group engages in property development and property investment in PRC as well as the foundation piling business. The Company's business development plans include, among other things, the growth in revenue and profitability contribution of Tysan Foundation (Hong Kong) to Tysan Group. The Tysan Foundation (Hong Kong) Disposal is consistent with such objectives and given the Company will still continue to maintain control on the equity interest in Tysan Foundation (Hong Kong) notwithstanding the Tysan Foundation (Hong Kong) Disposal, the Company will continue to benefit from any potential growth in Tysan Foundation (Hong Kong) to be carried on by Tysan Foundation (Hong Kong) Group through consolidation of financial results generated by Tysan Foundation (Hong Kong) Group.
- (3) It gives the Company the opportunity to realise and receive certain amount of cash proceeds that will arise from the disposal of part of the Company's interest in the business of Tysan Foundation (Hong Kong) Group while at the same time align Mr. Victor Fung's interests with that of Tysan Group. Such realisation of cash is incidental to the Tysan Foundation (Hong Kong) Disposal and is not driven or motivated by any desire to achieve short term financial gain or to address the cash flow needs of Tysan Group.
- (4) For the avoidance of doubt, Tysan Group does not intend to give up its foundation business. If the incentives the Company offers to retain and continually incentivise Mr. Victor Fung, who the Board believes is the best candidate for Tysan Group in continuing this business, are a minority stake in Tysan Foundation (Hong Kong), Tysan Group is prepared to enter into such terms as described above which are fair and reasonable to the Company and the Independent Shareholders as a whole.
- (5) The completion of the Tysan Foundation (Hong Kong) Disposal would facilitate the Offer where the price per Share from the Offeror would accrue to all Shareholders.

Use of proceeds

The amount of net proceeds from the Tysan Foundation (Hong Kong) Disposal is expected to be approximately HK\$155.00 million, being the consideration received net of transactional expenses

LETTER FROM THE BOARD

including professional advisors' fees. The Company intends to use such net proceeds as general working capital of Tysan Group including but not limited to, funding for its existing and future business projects including foundation and property development projects, acquisition of plant and machinery and repayment of debt. The specific allocation has not been decided because the use will depend on the business operations and the needs of Tysan Group at the relevant time. Whether to repay any debt, for example, will depend on, among other things, the cost of funding for business operations and the needs of the Tysan Group, at the relevant time. There is no specific plan for the use of proceeds at present.

Effect of the Tysan Foundation (Hong Kong) Disposal

Immediately after completion of the Tysan Foundation (Hong Kong) Disposal, Tysan Foundation (Hong Kong) and its subsidiaries will cease to be wholly-owned by the Company. Tysan Foundation (Hong Kong) will become a 60% owned subsidiary of the Company. The financial results of Tysan Foundation (Hong Kong) Group will continue to be consolidated into the Company's consolidated financial statements. According to Hong Kong Financial Reporting Standards, there will be no gain or loss impact to income statement if a company has not lost control over a subsidiary after disposal of its partial interest in the subsidiary. Any premium or shortfall between the consideration received and carrying amount of equity stake being disposed of, will be recognised directly in equity instead of income statement.

As the Tysan Foundation (Hong Kong) Disposal will not result in any change in control by the Company over Tysan Foundation (Hong Kong), the excess of cash consideration of HK\$157.00 million over the assignment of shareholder's loan of HK\$32.00 million by the Company to the non-controlling interest and the increase in carrying amount of non-controlling interest of approximately HK\$124.86 million as at 31 March 2013, is recognised directly in equity. The Tysan Foundation (Hong Kong) Disposal will have no impact on the consolidated income statement of the Company.

Upon completion of the Tysan Foundation (Hong Kong) Disposal, the Company's equity interest in Tysan Foundation (Hong Kong) will be reduced to 60%, while Mr. Victor Fung's equity interest through Fortunate Pool in Tysan Foundation (Hong Kong) will be 40%. The Company, Fortunate Pool, Mr. Victor Fung and Tysan Foundation (Hong Kong) will enter into the Shareholders' Agreement upon completion of the Tysan Foundation (Hong Kong) Disposal to set out their mutual agreement regarding corporate governance of Tysan Foundation (Hong Kong) and the parties' respective rights and obligations in respect of Tysan Foundation (Hong Kong).

Mr. Victor Fung has agreed to guarantee the performance of the obligations of Fortunate Pool under or arising from the Shareholders' Agreement. It is the intention of the Board that Mr. Victor Fung will be appointed as the chief executive officer of the Company after the Closing Date. For the avoidance of doubt, this intention of the Board is not a term of any binding agreement. The appointment is expected to be effective after the closing, i.e. once the Offer becomes unconditional and will proceed to closing. Given that this intention is conditional on the outcome of the Offer and is only an intention at this stage (as opposed to a formal appointment), no announcement will be made by the Company at this stage. The Company will make announcement of appointment of chief executive officer when the appointment becomes formal.

LETTER FROM THE BOARD

The principal terms of the Shareholders' Agreement are set out below:

(a) Board composition

The board of directors of Tysan Foundation (Hong Kong) shall comprise of a maximum number of five directors. Fortunate Pool shall have the right to nominate two executive directors to the board of directors of Tysan Foundation (Hong Kong) for so long as Fortunate Pool owns not less than 40% of the issued share capital of Tysan Foundation (Hong Kong). The Company shall be entitled to nominate three directors to the board of directors of Tysan Foundation (Hong Kong), being the majority of the board and therefore safeguarding its majority shareholder position.

(b) Management and shareholders' reserved matters

After completion of the Tysan Foundation (Hong Kong) Disposal, Mr. Victor Fung, as a director of Tysan Foundation (Hong Kong), and the other director nominated by Fortunate Pool shall be responsible and have authority for, among other things, the day-to-day management of the business and operations of projects, the general business development as well as the formulation of the overall strategies of Tysan Foundation (Hong Kong) Group. The Company shall have the sole responsibility and authority to approve, among other things, the obtaining or re-financing of any loan or third party financing by Tysan Foundation (Hong Kong) Group (with the exception that if any guarantee, security or indemnity is required from Fortunate Pool or Mr. Victor Fung for the obtaining or re-financing of such loan or third party financing at any time after the expiry of 24 months from the closing of the Share Offer, the obtaining or re-financing of such loan or third party financing by Tysan Foundation (Hong Kong) Group shall also be subject to the approval of Mr. Victor Fung).

The Company shall have the right to nominate a candidate for the position of chief financial officer of Tysan Foundation (Hong Kong) or designate one of its nominated director as an executive director, in each case to be in charge of financial and book keeping matters of Tysan Foundation (Hong Kong). The appointment or designation of such candidate shall be subject to mutual consent of the Company and Fortunate Pool.

Unanimous consent of all shareholders of Tysan Foundation (Hong Kong) will be required for certain customary matters relating to Tysan Foundation (Hong Kong) Group, including, among other things:

- (i) approval of annual budget and business plan;
- (ii) change in the business nature;
- (iii) any creation, allotment or issue or agreement to create, allot or issue any shares or any grant or agreement to grant any options over or right to subscribe for any additional

LETTER FROM THE BOARD

shares, or any purchase or redemption of shares, the cumulative subscription or acquisition monies of which is more than HK\$50 million unless the capital raised is for repaying or reducing indebtedness or liabilities of Tysan Foundation (Hong Kong) Group;

- (iv) any liquidation, dissolution, winding up or entering into of arrangements with creditors of any member of Tysan Foundation (Hong Kong) Group;
- (v) the merger or amalgamation of any member of Tysan Foundation (Hong Kong) Group with any other companies;
- (vi) approval of any contracts or agreements (including contracts entered into in the ordinary course of business of Tysan Foundation (Hong Kong) Group) of a value or consideration of over HK\$550 million;
- (vii) any variation of any rights attaching to any of the shares of Tysan Foundation (Hong Kong); and
- (viii) any declaration, making or payment of any distribution of capital, income and dividends to the shareholders of Tysan Foundation (Hong Kong) otherwise than in accordance with the proportions as representing the shareholding of the shareholders concerned or otherwise than in accordance with the dividend policy of Tysan Foundation (Hong Kong).

(c) **Dividends**

Subject to any requirements of the applicable laws, the dividend policy of Tysan Foundation (Hong Kong) is to distribute not less than 50% of (1) the distributable profits of Tysan Foundation (Hong Kong) Group, and (2) the net profit after taken into account the capital expenditure projection requirements, whichever is more, to the shareholders of Tysan Foundation (Hong Kong) in proportion to their shareholdings in Tysan Foundation (Hong Kong). Dividend shall be payable annually within three months after the relevant financial year end.

(d) **Transfer of shares and lock-up**

Any transfer of shares in Tysan Foundation (Hong Kong) shall be subject to customary right of first refusal, drag-along and tag-along rights of the other shareholder.

Save as otherwise provided, without the prior written consent of the Offeror, Fortunate Pool shall not sell, transfer or create encumbrances (other than the creation of security over such shares in favour of authorized banking institutions for a bona fide loan) over any of its shares in Tysan Foundation (Hong Kong), and Mr. Victor Fung shall not sell, transfer or create such encumbrances over any of his shares in Fortunate Pool, in each case until the earlier of (i) the expiry of 60 months after completion of the Tysan Foundation (Hong Kong) Disposal; or (ii) a Blackstone Exit Event.

LETTER FROM THE BOARD

A “Blackstone Exit Event” means Blackstone ceasing to hold, or manage funds which hold, 50% or more equity interest in the Company or ceasing to control the composition of a majority of the Board (excluding independent non-executive Directors) or ceasing to hold, or manage funds which hold, 50% or more equity interest in the Offeror or Holdco.

The customary rights of first refusal, tags and drags applicable to the Company during the term of the Shareholders’ Agreement and that applicable to Fortunate Pool after the expiration of the lock-up period referred to above are summarised as follows. A shareholder proposing to sell its shares is referred to as an “outgoing shareholder” in this letter whereas a shareholder proposing to retain its shareholding in the company is referred to as a “remaining shareholder”.

Right of First Refusal: When an outgoing shareholder wishes to sell its shares, the remaining shareholder may exercise a right of first refusal and buy the shares on the same terms as the outgoing shareholder is proposing to sell its shares to a third party. If the remaining shareholder opts to exercise its right of first refusal, the outgoing shareholder is obliged to sell its shares to the remaining shareholder on those terms.

Tag-Along Right: If the remaining shareholder does not exercise its right of first refusal, the outgoing shareholder may sell its shares on no less favourable terms to any third party buyer and will give notice to the remaining shareholder of price and other terms on which it will sell its shares. The remaining shareholder then has a right to require the buyer to purchase its shares on the same terms as the buyer is purchasing from the outgoing shareholder. If the buyer refuses to do so, the outgoing shareholder cannot sell its shares.

Drag-Along Right: If the remaining shareholder does not give notice that it requires such buyer to also purchase its shares, the outgoing shareholder may exercise a right to require the remaining shareholder to sell its shares to the buyer on the same terms. This would apply if the buyer wanted to buy the entire company.

Compliance with Listing Rules

If such rights are exercised and the Company remains listed on the Stock Exchange, the Company could be a vendor or a purchaser of shares and subject to the terms then agreed, these could constitute notifiable and connected transactions under Chapters 14 and 14A of the Listing Rules. No detailed compliance implications are currently available as such events have not occurred. Compliance will be made as and when necessary under the Listing Rules in respect of such transactions, if any, at the relevant time.

(e) Duration

The Shareholders’ Agreement shall continue until such time as it is terminated by the written agreement of the parties or a shareholder ceasing to hold any shares in Tysan Foundation (Hong Kong).

LETTER FROM THE BOARD

To the extent that the Shareholders' Agreement contains customary terms on which parties will operate a joint venture and has terms which protect both parties to the joint venture (including the Company), the Board does not consider this a special right afforded to Mr. Victor Fung as they would be similar to terms the Board would have had to consider for any party entering into a joint venture with it. Considering its right to appoint a majority of the board of Tysan Foundation (Hong Kong) and its ability to continue consolidating the financial results of Tysan Foundation (Hong Kong) after entering into the Shareholders' Agreement, taking the terms and conditions of the Shareholders' Agreement as a whole that include typical terms protecting minority shareholders' interests in a normal joint venture arrangement, the Board, based on its experience in entering into other shareholders' agreements, considers that the terms of the Shareholders' Agreement are on arm's length negotiation, on normal commercial terms, are fair and reasonable and in the interests of the Independent Shareholders as a whole.

Guarantees and Indemnities Provided by Tysan Group to Tysan Foundation (Hong Kong) Group

The Company (as the sole beneficial owner of Tysan Foundation (Hong Kong)) and its subsidiaries (other than Tysan Foundation (Hong Kong) Group) have in the past executed various Guarantee and Indemnity Documents whereby Tysan Group (other than Tysan Foundation (Hong Kong) Group) provided the Guarantees and Indemnities in respect of or in connection with the Tysan Banking Facilities. The Guarantees and Indemnities were provided by Tysan Group (other than Tysan Foundation (Hong Kong) Group) as security to enable Tysan Foundation (Hong Kong) Group to obtain the Tysan Banking Facilities to support its normal commercial operations. As at the Latest Practicable Date, the maximum liability of Tysan Group (other than Tysan Foundation (Hong Kong) Group) under the existing Guarantees and Indemnities is approximately HK\$1.25 billion. Tysan Group (other than Tysan Foundation (Hong Kong) Group) intends to continue to provide the Guarantees and Indemnities to the Financial Institutions in connection with the Tysan Banking Facilities for a period of up to 24 months from the closing of the Share Offer.

It is agreed between the parties to the Tysan Foundation (Hong Kong) Disposal that all Guarantees and Indemnities given by the Company and its subsidiaries (other than Tysan Foundation (Hong Kong) Group) to Tysan Foundation (Hong Kong) Group be irrevocably and unconditionally released no later than 24 months from the closing of the Share Offer.

Pursuant to the Deed of Counter-Indemnity to be executed by Fortunate Pool and Mr. Victor Fung in favour of the Company upon completion of the Tysan Foundation (Hong Kong) Disposal, Fortunate Pool and Mr. Victor Fung, both as covenantors, shall jointly and severally irrevocably covenant with the Company that they will, (a) for so long as Mr. Victor Fung and Fortunate Pool own, directly or indirectly, 40% of Tysan Foundation (Hong Kong); and (b) for so long as the Company remains as a company whose shares are listed on the Stock Exchange, at all times fully and effectively indemnify and keep the Company (and/or its subsidiaries) indemnified against 40% of all liabilities, damages, costs, charges and expenses of whatever nature under or arising from the Guarantees and Indemnities. As at the Latest Practicable Date, the maximum amount of the Guarantees and Indemnities was approximately HK\$1.25 billion and assuming this does not change if and when the Deed of Counter-Indemnity comes into effect upon completion of the Tysan Foundation (Hong Kong) Disposal, 40% of this amount will be indemnified by Fortunate Pool and Mr. Victor Fung pursuant to the Deed of

LETTER FROM THE BOARD

Counter-Indemnity. By reference to the existing amount of the Guarantees and Indemnities, the Company will propose that Independent Shareholders Approval be subject to the maximum amount of the Guarantees and Indemnities for each of the financial years ending 31 March 2014, 2015 and 2016 to be HK\$1.25 billion.

In accepting the counter indemnity of Mr. Victor Fung and Fortunate Pool, the Company has, to the best of the Company's information, considered the financial capability of Mr. Victor Fung including, but without limitation, the equity interest being held by Mr. Victor Fung in the Company and in Tysan Foundation and the estimated values thereof, as well as the utilisation level of the banking facilities in the past three years.

As one or more of the applicable percentage ratios in respect of the liability of the Company under or arising from the Guarantees and Indemnities, when aggregated with the Tysan Foundation (Hong Kong) Disposal exceed(s) 25% but is/are less than 75% for the Company and as Tysan Foundation (Hong Kong) will cease to be a wholly-owned subsidiary of the Company upon completion of the Tysan Foundation (Hong Kong) Disposal, the continued provision by the Company of the Guarantees and Indemnities after completion of the Tysan Foundation (Hong Kong) Disposal will constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the requirements of reporting, announcement and the approval by the Independent Shareholders under Chapter 14 of the Listing Rules. Further, as Mr. Victor Fung and Fortunate Pool are connected persons, the continued provision of the Guarantees and Indemnities after completion of the Tysan Foundation (Hong Kong) Disposal will also constitute connected transactions of the Company under Chapter 14A of the Listing Rules and the Company's provision of the Guarantees and Indemnities is therefore subject to the requirements of reporting, announcement and the approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

Reasons and benefits of the Guarantees and Indemnities

Having considered the terms of the Tysan Banking Facilities and the relevant Guarantees and Indemnities, and taking into consideration of the counter-indemnities to be given by Mr. Victor Fung and Fortunate Pool under the Deed of Counter-Indemnity and the fact that Tysan Foundation (Hong Kong) will remain as a subsidiary of the Company notwithstanding the Tysan Foundation (Hong Kong) Disposal, the Board (other than those who abstained from voting or did not vote on the resolution to approve the Tysan Foundation (Hong Kong) Disposal) is of the view that it is appropriate and beneficial for the Company to continue to support Tysan Foundation (Hong Kong) Group in its business by way of the Guarantees and Indemnities which are essential to the grant of the Tysan Banking Facilities should the Company continues to list on the Stock Exchange.

The Board is of the view that the terms of the Tysan Banking Facilities are in line with those provided by other banks and are on normal commercial terms, and it accepts that it is common for banks to require a sole or joint and several guarantees to be given by the ultimate listed holding company because they are relatively more confident in the financial position of the controlling listed company and therefore consider its guarantee to be a preferred security for their banking facilities. Furthermore, the Company has the experience and understanding that a guarantee and an indemnity to be provided by the Company and Mr. Victor Fung, on a several and pro rata basis for the Tysan Banking Facilities is generally not acceptable to the Financial Institutions.

LETTER FROM THE BOARD

As the Guarantees and Indemnities are part of the Tysan Foundation (Hong Kong) Disposal and given that the Offer is conditional on the Independent Shareholders having at the SGM approved the Special Deal Transactions (of which the Tysan Foundation (Hong Kong) Disposal is one of them) and the Non-exempt Connected Transactions (of which the Tysan Foundation (Hong Kong) Disposal is one of them), respectively, based on the reasons set out under this section headed “Reasons and Benefits of the Guarantees and Indemnities”, the Board is of the view that the terms of the Guarantees and Indemnities are on normal commercial terms, fair and reasonable and in the interest of the Shareholders as a whole.

(3) Tysan Building Construction Disposal

Date

16 August 2013 (as amended on 22 November 2013)

Parties Involved

Vendor: Tysan Construction
Purchaser: Mr. Victor Fung

Mr. Victor Fung is an Executive Director and hence a connected person of the Company. As at the Latest Practicable Date, Mr. Victor Fung is interested in approximately 8.56% in the issued share capital of the Company.

Subject matter

- (i) 49% interest in Tysan Building Construction; and
- (ii) the interest-free shareholder’s loan owing by Tysan Building Construction to Tysan Construction which, as at the date of the Tysan Building Construction SPA and the Latest Practicable Date, was HK\$7,350,000. Such shareholder’s loan is expected to remain unchanged upon completion of the Tysan Building Construction Disposal.

Consideration

The total consideration for the Tysan Building Construction Disposal, including the abovementioned shareholder’s loan, is HK\$17,150,000 (of which HK\$9,800,000 is attributed to 49% of Tysan Building Construction and HK\$7,350,000 is attributed to the abovementioned shareholder’s loan). The value of the 49% shares and related shareholder’s loan is hereafter referred to as the 49% equity stake of Tysan Building Construction. The total consideration for the Tysan Building Construction Disposal shall be payable in cash upon completion of the Tysan Building Construction Disposal.

The total consideration including the abovementioned shareholder’s loan for the Tysan Building Construction Disposal was determined after arm’s length negotiations between Tysan Construction and Mr. Victor Fung and is on normal commercial terms, taking into account, inter alia, the operating and financial performance and the future prospects of the business of Tysan Building Construction and dependence on key personnel, Mr. Victor Fung and his connections in the industry. There is no

LETTER FROM THE BOARD

scientific quantification of how each and every factor mentioned above is quantified in monetary terms. The basis of determination of consideration and how it compares in terms of earnings multiples or net asset values, including an independent business valuation is provided. No specific amount was added or deducted in respect of growth prospects and dependence on key management although these factors were taken into account in the overall negotiations of terms.

For purposes of further analysis prior to entry of the Tysan Building Construction Disposal, a price to earnings approach was considered. Given that 49% of the equity stake of Tysan Building Construction is agreed by the parties to be sold for HK\$17.15 million, 100% of the equity stake of Tysan Building Construction would be HK\$35.00 million. The profit after taxation of Tysan Building Construction for the year ended 31 March 2013 was approximately HK\$8.93 million. Consequently, on a price to earnings ratio, this was approximately 3.92 times. The Board had analysed this transaction from a price to earnings ratio in addition to the net asset value approach below as the Board considered this is one of the factors.

The consolidated net asset value of Tysan Building Construction as of 31 March 2013, based on the audited accounts of Tysan Building Construction as at 31 March 2013, is approximately HK\$51.11 million. Assuming Great Prosper Acquisition was completed as at 31 March 2013 and those stated in Conditions Precedent (h) as elaborated under the heading “Conditions Precedent” below are fulfilled as at 31 March 2013, that is after Tysan Building Construction (China) distributes the proceeds received from the Great Prosper Acquisition by means of payment of dividend of HK\$104.84 million to Tysan Building Construction and repayment of shareholder’s loan of HK\$24.56 million due to Tysan Building Construction, and then Tysan Building Construction declares and pays a dividend of HK\$129.4 million to its shareholders, Tysan Construction and Victor Create, the net asset value of Tysan Building Construction will decrease from approximately HK\$51.11 million by HK\$24.56 million to approximately HK\$26.55 million. For the purpose of illustration, based on the consolidated net asset value of Tysan Building Construction as at 31 March 2013 taking into account such dividend, the net asset value attributable to 49% of the shareholding interest in Tysan Building Construction is approximately HK\$13.01 million. It is considered appropriate to provide such illustration because a comparison of net asset value in connection with the Tysan Building Construction Disposal should take into account the financial effect of an event, being the dividend, which will be declared and paid prior to its completion.

The consolidated adjusted net asset value of the Tysan Building Construction as of 31 March 2013 is set out above. If one was to add the adjusted net asset value of HK\$13.01 million attributable to 49% of the shareholding interest in Tysan Building Construction, to the amount of the shareholder’s loan of HK\$7.35 million, the aggregate would be HK\$20.36 million. When comparing this to the total consideration of HK\$17.15 million, such consideration represents a discount of about 15.77%. If the shareholder’s loan is excluded, the adjusted net asset value and consideration attributable to 49% of the shareholding interest in Tysan Building Construction are HK\$13.01 million and HK\$9.8 million, respectively. When comparing such net asset value to the consideration, such consideration represents a discount of about 24.67%. Although the net asset value approach would have yielded more consideration to Tysan Construction, this was not a price acceptable to Mr. Victor Fung as only property companies tend to adopt a net asset value approach.

LETTER FROM THE BOARD

In light of the fluctuation in the earnings of Tysan Building Construction over the last two years and that the profit before taxation for 31 March 2013 was significantly higher than that in the prior year, the Board has also, in coming to its views as set out in this letter, taken into account the business valuation of Tysan Building Construction as set out Appendix III to this circular. The Business Valuer has valued the 49% equity stake in Tysan Building Construction as at 31 August 2013 at HK\$10.8 million. The consideration payable to the Group under the Tysan Building Construction Disposal for such shareholding interest is HK\$17.15 million, thereby representing a premium of approximately 59% to the equity stake stated in the business valuation.

The Board considers that, for the reasons set out under the sections headed “Consideration” above and “Reasons for the Tysan Building Construction Disposal” in this letter, including the discount to the net asset value of Tysan Building Construction, the terms of the Tysan Building Construction Disposal (as a special deal for the purpose of Rule 25 of the Takeovers Code and a connected transaction for the purpose of Chapter 14A of the Listing Rules) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Tysan Building Construction Disposal is conditional upon the satisfaction (or waiver) of the following conditions:

- (a) the consent of the Executive having been obtained to proceed with, and the Independent Shareholders having approved at the SGM, the Tysan Building Construction Disposal in accordance with Note 4 to Rule 25 of the Takeovers Code;
- (b) the Company having obtained the approval of the Independent Shareholders at the SGM in respect of the Tysan Building Construction Disposal in accordance with the applicable requirements under the Listing Rules;
- (c) all regulatory consents and authorisations of any Relevant Authorities which are necessary and required for the purpose of implementing and completing the Tysan Building Construction Disposal having been obtained and remaining in full force and effect pursuant to the provisions of any laws or regulations in any relevant jurisdiction;
- (d) all mandatory consents from banks and/or third parties, if any, in relation to the Tysan Building Construction Disposal required pursuant to any agreement to which it is a party having been obtained or waived by the relevant party(ies);
- (e) no government action, court order or legal proceedings having been taken or made at any time prior to the completion of the Tysan Building Construction Disposal that has the effect of making unlawful otherwise prohibiting or restriction the consummation of the Tysan Building Construction Disposal, or any other transaction contemplated under the Tysan Building Construction SPA;

LETTER FROM THE BOARD

- (f) all representations and warranties in the Tysan Building Construction SPA being true and accurate in all material respects and not misleading in any material respect as of completion of the Tysan Building Construction Disposal;
- (g) the Share Offer having become or being declared unconditional in all respects;
- (h) the declaration and payment of a dividend to the shareholders of Tysan Building Construction of an aggregate amount representing the entire sum of dividend and the repayment of shareholder's loan due to Tysan Building Construction from Tysan Building Construction (China) which, in turn, was funded by the proceeds received by Tysan Building Construction (China) from the Great Prosper Acquisition; and
- (i) all guarantees or indemnities given by the Company or any of its subsidiaries and all security, charges, mortgages or pledges over the assets of the Company or any of its subsidiaries, in each case given for the purpose of securing the loans granted to Tysan Building Construction or any of its subsidiaries or securing the performance of the obligations or satisfaction of liabilities of Tysan Building Construction or any of its subsidiaries having been irrevocably and unconditionally released upon completion of the Tysan Building Construction Disposal (or if the release is subject to any conditions, such conditions having been fulfilled).

In the event that any of the above conditions precedent is not satisfied (or, in the case of (c) or (d), waived by Mr. Victor Fung) by the parties on or before the Long Stop Date, the Tysan Building Construction SPA will lapse and neither party to the Tysan Building Construction SPA will have any obligation or liability thereunder save for antecedent breach.

As at the Latest Practicable Date, none of the above conditions precedent of the Tysan Building Construction SPA has been waived or fulfilled.

Completion

Subject to the satisfaction (or, in the case of (c) or (d), waiver by Mr. Victor Fung) of the above conditions precedent, completion of the Tysan Building Construction Disposal shall take place on the tenth Business Day after the First Closing Date or such other date as the parties may agree in writing.

Information on Tysan Building Construction

Tysan Building has operated since 1997 and provides a diversified and wide range of construction project management services, including refurbishment and fitting-out works, and works related to heritage preservation. It has been included in the Hong Kong Government's List of Approved Contractors for Public Works under the category of Building (Group B).

Major projects completed or on hand include, inter alia, a residential development on Blue Pool Road for Hang Lung Group and various additions and alterations work for institutions such as the University of Hong Kong and Hong Kong Jockey Club.

LETTER FROM THE BOARD

As at 30 June 2013, Tysan Building Construction's assets mainly comprised of trade receivables of approximately HK\$90.2 million; amount due from customers for contract works of approximately HK\$34.7 million; loan to its subsidiary, Tysan Building Construction (China), of approximately HK\$31.6 million; and bank balances of approximately of HK\$31.4 million.

The building construction industry is very competitive and since Tysan Building's scale is relatively small, it faces keen competition and has experienced fluctuating profit. It will continue to focus on clients whom they have established a long term relationship and strive to achieve a profitable return.

Tysan Building Construction is a company incorporated in Hong Kong with limited liability, which is owned as to 49% by Tysan Construction and as to 51% by Victor Create.

Tysan Building Construction and its subsidiaries are principally engaged in building and construction works.

The audited consolidated net profits of Tysan Building Construction for the last two financial years ended 31 March 2012 and 2013 are as follows:

	For the year ended	
	31 March	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profits before taxation	10,730	2,622
Net profits after taxation	8,926	2,226

Reasons for the Tysan Building Construction Disposal

Taking into account the possible Offer, the Company decided that it was a good opportunity to consider and to restructure its shareholdings in non-core investments in Tysan Group, believing that the Company could negotiate a better price from the Offeror if it did so. To the extent that the Company disposes of a non-core asset at a consideration which it believes is beneficial to the Company, its financial results should improve. The Company would then be in a better position to negotiate a better price per Share from the Offeror which is a price that accrues to all Shareholders.

Restructuring the Company's shareholdings in non-core investments in Tysan Group includes exiting from the building construction to focus its financial and management resources on other core activities i.e., its property development and foundation piling business, where Tysan Group has more competitive advantages and core competencies. For this reason, the Company took the step of disposing its 49% equity stake in Tysan Building Construction so that after completion, the Company ceases to have a direct or indirect equity interest in Tysan Building Construction and will no longer be engaged in building construction and will be engaged principally in property development in PRC and foundation piling business. This also gives Tysan Group the opportunity to realise and receive

LETTER FROM THE BOARD

certain amount of cash proceeds from the divestment of its non-core business, although such realisation of cash is incidental to the Tysan Building Construction Disposal and is not driven or motivated by any desire to achieve short term financial gain or to address the cash flow needs of Tysan Group.

Use of proceeds

The amount of net proceeds from the Tysan Building Construction Disposal is approximately HK\$16.9 million, being the consideration received net of transactional expenses including professional advisors' fees. The Company intends to use such net proceeds as general working capital of the Tysan Group, particularly in its core business such as property development and foundation piling business. This includes but not limited to, funding for its property development projects, potential acquisition of plant and machinery and repayment of debt. As at the Latest Practicable Date, there was no specific allocation of such net proceeds and the cash allocation will depend on the business needs and capital requirements of Tysan Group at that point of time.

Effect of the Tysan Building Construction Disposal

Upon completion of the Tysan Building Construction Disposal, Tysan Construction will cease to have any interest in Tysan Building Construction and its subsidiaries and associates.

Based on the consideration of HK\$17.15 million less the carrying value of the interests in Tysan Building Construction of approximately HK\$32.39 million as at 31 March 2013 and add the dividend to be received from Tysan Building Construction upon completion of the Great Prosper Acquisition of approximately HK\$12.03 million, the Tysan Building Construction Disposal is expected to give rise to a loss attributable to the Company of approximately HK\$3.20 million. The actual gain or loss from the Tysan Building Construction Disposal to be recorded by the Company will depend on the financial position of Tysan Building Construction as at the completion date of the Tysan Building Construction Disposal. The expected loss attributable to the Company is not material as compared to the profits of HK\$348 million of the Company as at 31 March 2013 as such loss only represents 0.9% of the profits of the Company. To the extent the completion of the Tysan Building Construction Disposal would, if all Special Deal Transactions also completed, allow the Offer to proceed and such price per Share accrues to all Shareholders, the Board continues to believe that the terms of the Tysan Building Construction Disposal, for the reasons set out in this letter, are fair and reasonable to the Company and its Shareholders as a whole notwithstanding such loss.

(4) Tysan Trading Disposal

Date

16 August 2013 (and as amended on 22 November 2013)

Parties Involved

Vendor: Tysan Investment

Purchaser: Miss Jennifer Kwok

LETTER FROM THE BOARD

Miss Jennifer Kwok is an Executive Director and hence a connected person of the Company. As at the Latest Practicable Date, Miss Jennifer Kwok is interested in approximately 2.29% of the issued share capital of the Company.

Subject matter

- (i) 40% equity interest in Tysan Trading; and
- (ii) the interest-free shareholder's loan owing by Tysan Trading to Tysan Investment which, as at the date of the Tysan Trading SPA and the Latest Practicable Date, was HK\$800,000. Such shareholders' loan is expected to remain unchanged upon completion of the Tysan Trading Disposal.

Consideration

The total consideration for the Tysan Trading Disposal, including the abovementioned shareholder's loan, is HK\$4,400,000. The value of the 40% shares and related shareholder's loan is hereafter referred to as the 40% equity stake of Tysan Trading. The total consideration for the Tysan Trading Disposal shall be payable in cash upon completion of the Tysan Trading Disposal.

The total consideration including the abovementioned shareholder's loan for the Tysan Trading Disposal was determined after arm's length negotiations between Tysan Investment and Miss Jennifer Kwok and is on normal commercial terms. The consideration is determined by taking into account, inter alia, the unpredictability in current consumer consumption and external market risks in trading character merchandises, the dependence on key personnel, Miss Jennifer Kwok and, for the reasons stated below, the costs and impact of a shut down of the business. There is no scientific quantification of how each and every factor mentioned above is quantified in monetary terms. No specific amount was added or deducted in respect of the unpredictability in the market, but the fact that the Company would be faced with a closure of the business after Miss Jennifer Kwok's departure was very relevant. The Company would be faced with a closure of this business if it could not agree a price with Miss Jennifer Kwok given that, with her departure after the relevant period of the Offer becoming unconditional, the distributor has confirmed that it would terminate the distribution contract. The consideration is a price which the Company has been able to negotiate with Miss Jennifer Kwok and she is not prepared to pay any more. In such circumstances, the Company can choose to proceed on this price or absorb the winding up costs. This comparison is appropriate given the options available to the Company.

Tysan Trading trades and distributes character merchandise. It does so pursuant to a distribution agreement with a Japanese independent third party which owns the rights to those characters. In the distribution agreement, if Miss Jennifer Kwok ceases to be a director of Tysan Trading, the counter party has a right to terminate the distribution agreement and based on a written confirmation by the counter party, the counter party had confirmed that it would exercise such right if she did cease to be a director of Tysan Trading. Miss Jennifer Kwok will only stay with Tysan Group up to six months after the Share Offer becomes unconditional and will eventually leave, and therefore the likely closure of the business. The revenue of Tysan Trading has also been on the downward trend although profitability is only slightly down. The net asset value of Tysan Trading as at 31 December 2012 was

LETTER FROM THE BOARD

approximately HK\$28.95 million and 40% of this would be HK\$11.58 million. The consideration of HK\$4.40 million would represent a discount of approximately 62% to the net asset value. However, given that Tysan Trading could lose its rights to sell such character merchandise and would have to be wound up, leases of the 11 retail shops of the character merchandise in PRC may have to be terminated prior to the expiry of term. Historical performance of the company is not a good indicator of the prospects given that Tysan Trading would have to be wound up after Miss Jennifer Kwok leaves as the distributor has already said it would terminate the distribution agreement upon her departure. The estimated cost of all the costs of winding down operations is approximately HK\$33.43 million. Such winding down costs include HK\$2.55 million for termination of shop leases, HK\$29.33 million as inventory write-off costs and HK\$1.55 million for staff redundancy costs. The net asset value of Tysan Trading as at 31 December 2012 was approximately HK\$28.95 million and after adjustment of such wind down costs, Tysan Trading has net liabilities of HK\$4.48 million. 40% of these net liabilities would amount to HK\$1.79 million and if the existing shareholders' loan of HK\$0.80 million which is also being sold is added, the total amount on a wind down scenario would be net liabilities of HK\$0.99 million. Consequently, the HK\$4.40 million which Miss Jennifer Kwok is prepared to pay under the Tysan Trading Disposal is more than the estimated liquidation value that the Company would otherwise receive.

The Board considers that, for the reasons set out under the sections headed "Consideration" above and "Reasons for the Tysan Trading Disposal" in this letter, the terms of the Tysan Trading Disposal (as a special deal for the purpose of Rule 25 of the Takeovers Code and a connected transaction for the purpose of Chapter 14A of the Listing Rules) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Tysan Trading Disposal is conditional upon the satisfaction (or waiver) of the following conditions:

- (a) the consent of the Executive having been obtained to proceed with, and the Independent Shareholders having approved at the SGM, the Tysan Trading Disposal in accordance with Note 4 to Rule 25 of the Takeovers Code;
- (b) all regulatory consents and authorisations of any Relevant Authorities which are necessary and required for the purpose of implementing and completing the Tysan Trading Disposal having been obtained and remaining in full force and effect pursuant to the provisions of any laws or regulations in any relevant jurisdiction;
- (c) all mandatory consents from banks and/or third parties, if any, in relation to the Tysan Trading Disposal required pursuant to any agreement to which it is a party having been obtained or waived by the relevant party(ies);
- (d) no government action, court order or legal proceedings having been taken or made at any time prior to the completion of the Tysan Trading Disposal that has the effect of making unlawful otherwise prohibiting or restriction the consummation of the Tysan Trading Disposal, or any other transaction contemplated under the Tysan Trading SPA;

LETTER FROM THE BOARD

- (e) all representations and warranties in the Tysan Trading SPA being true and accurate in all material respects and not misleading in any material respect as of completion of the Tysan Trading Disposal;
- (f) the Share Offer having become or being declared unconditional in all respects; and
- (g) all guarantees or indemnities given by the Company or any of its subsidiaries and all security, charges, mortgages or pledges over the assets of the Company or any of its subsidiaries, in each case given for the purpose of securing the loans granted to Tysan Trading or any of its subsidiaries or securing the performance of the obligations or satisfaction of liabilities of Tysan Trading or any of its subsidiaries having been irrevocably and unconditionally released upon completion of the Tysan Trading Disposal (or if the release is subject to any conditions, such conditions having been fulfilled).

In the event that any of the above conditions precedent is not satisfied (or, in the case of (b), (c), (d) or (e), waived by Miss Jennifer Kwok) by the parties on or before the Long Stop Date, the Tysan Trading SPA will lapse and neither party to the Tysan Trading SPA will have any obligation or liability thereunder save for antecedent breach.

As at the Latest Practicable Date, none of the above conditions precedent of the Tysan Trading SPA has been waived or fulfilled.

Completion

Subject to the satisfaction (or, in the case of (b), (c), (d) or (e), waiver by Miss Jennifer Kwok) of the above conditions precedent, completion of the Tysan Trading Disposal shall take place on the tenth Business Day after the First Closing Date or such other date as the parties may agree in writing.

Information on Tysan Trading

Tysan Trading is a company incorporated in Hong Kong with limited liability, which is owned as to 40% by Tysan Investment, 26% by Mr. Victor Fung, 24% by Miss Jennifer Kwok and 10% by Miss Miranda Ng, who is not a connected person of the Company.

Tysan Trading and its subsidiaries are principally engaged in the trading and distribution of merchandises since 2003. It currently has 11 self operated retail outlets in Shanghai, Beijing and Hangzhou. As at 30 June 2013, Tysan Trading's assets mainly comprised of inventories, including character merchandise, of approximately HK\$21.6 million and cash and bank balances of approximately HK\$12.7 million.

Retail and wholesale businesses in China have become more and more competitive with profitability being adversely affected by increasing rent, labour cost and the relatively high tax system. In addition, Tysan Trading's business relies heavily on a single character brand which it does not own thereby adding more risks to its operation model. Consequently, Tysan Trading intends to expand and diversify into new product lines and to improve on its cost and inventory control.

LETTER FROM THE BOARD

The consolidated net asset value of Tysan Trading as of 31 December 2012, based on the audited accounts of Tysan Trading as at 31 December 2012, is approximately HK\$28.95 million. The consolidated net profits of Tysan Trading for the last two financial years ended 31 December 2011 and 2012 are as follows:

	For the year ended 31 December	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profits before taxation	10,135	12,513
Net profits after taxation	7,069	7,683

Reasons for the Tysan Trading Disposal

Taking into account the possible Offer, the Company decided to restructure its shareholdings in non-core investments in Tysan Group so as to focus on its property development and foundation piling business as the Offeror does not consider the trade and distribution of character merchandise to be the Company's core businesses. For this reason, the Company approached all the shareholders of Tysan Trading and they agreed that Miss Jennifer Kwok would purchase the 40% equity stake in Tysan Trading so that after completion, the Company ceases to have a direct or indirect equity interest in Tysan Trading.

Use of Proceeds

The amount of net proceeds from the Tysan Trading Disposal is HK\$4.3 million, being the consideration received net of transactional expenses including professional advisors' fees. The Company intends to use the net proceeds from the disposal as general working capital of Tysan Group, particularly in its core business such as property development and foundation piling business. This includes but not limited to, funding for its property development projects, potential acquisition of plant and machinery and repayment of debt. As at the Latest Practicable Date, there was no specific allocation of such net proceeds and the cash allocation will depend on the business needs and capital requirements of the Tysan Group at that point of time.

Effect of the Tysan Trading Disposal

Upon completion of the Tysan Trading Disposal, Tysan Investment will cease to have interest in Tysan Trading and its subsidiaries.

Based on the consideration of HK\$4.40 million less the carrying value of the interests in Tysan Trading of approximately HK\$12.38 million as at 31 December 2012, the Tysan Trading Disposal is expected to give rise to a loss attributable to the Company of approximately HK\$7.98 million. The actual gain or loss from the Tysan Trading Disposal to be recorded by the Company will depend on the financial position of Tysan Trading as at the completion date of Tysan Trading Disposal.

LETTER FROM THE BOARD

For the avoidance of doubt, the completion of each of the Great Prosper Acquisition, the Tysan Foundation (Hong Kong) Disposal, the Tysan Building Construction Disposal and the Tysan Trading Disposal are conditional upon the Share Offer but are not inter-conditional among themselves. However, if any of the Special Deal Transactions is not approved by the Independent Shareholders, the Share Offer will not proceed.

(5) The terms of the Miss Jennifer Kwok's Service Agreement

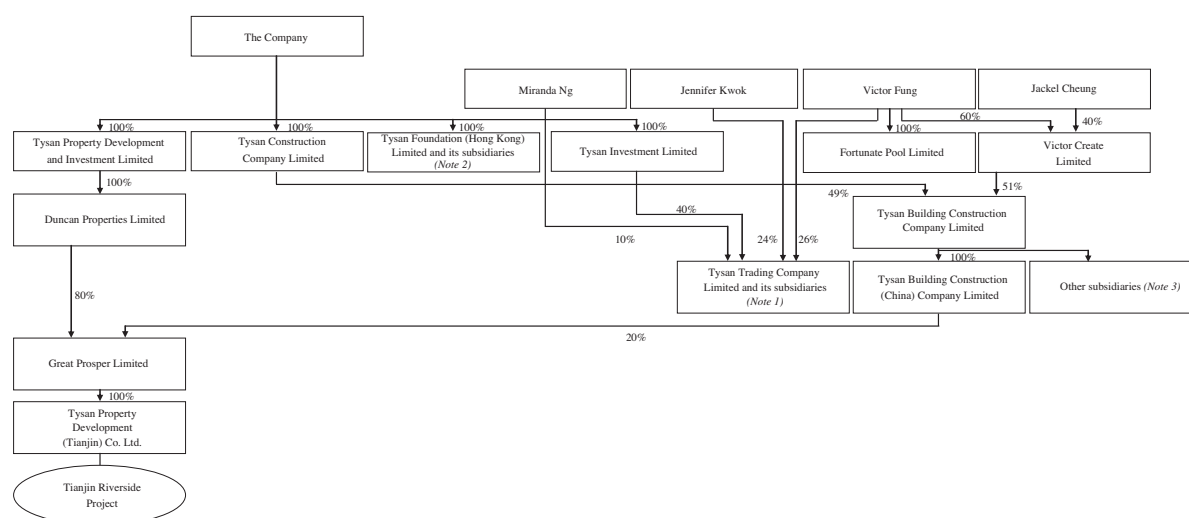
Miss Jennifer Kwok joined the Group in January 1997 and is an Executive Director and a director of various subsidiaries of the Company. Miss Jennifer Kwok is primarily responsible for the Group's corporate planning and development, corporate finance and investment strategies, and has over 21 years' experience in the finance field specialising in corporate finance and direct investment.

It is the intention of Miss Jennifer Kwok that she will remain as a Director for up to six months after the Unconditional Date. As a reward for her service with the Company after the Unconditional Date, the terms of the Miss Jennifer Kwok's Service Agreement provide that the monthly salary of Miss Jennifer Kwok shall be increased by 15% of the prevailing monthly salary as at the Unconditional Date for a period of up to six months with effect from the Unconditional Date. Miss Jennifer Kwok shall also be entitled to a contract-end bonus representing 115% of the amount of her bonus to be received from the Company for the calendar year ending 31 December 2013, pro-rated for the period from the Unconditional Date to the termination of her employment with the Company.

The Board considers the terms of the Miss Jennifer Kwok's Service Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Shareholding Structures of Great Prosper, Tysan Foundation (Hong Kong), Tysan Building Construction and Tysan Trading

The shareholding structure of Great Prosper, Tysan Foundation (Hong Kong), Tysan Building Construction and Tysan Trading before completion of the Great Prosper Acquisition, Tysan Foundation (Hong Kong) Disposal, Tysan Building Construction Disposal and Tysan Trading Disposal is as follows:



LETTER FROM THE BOARD

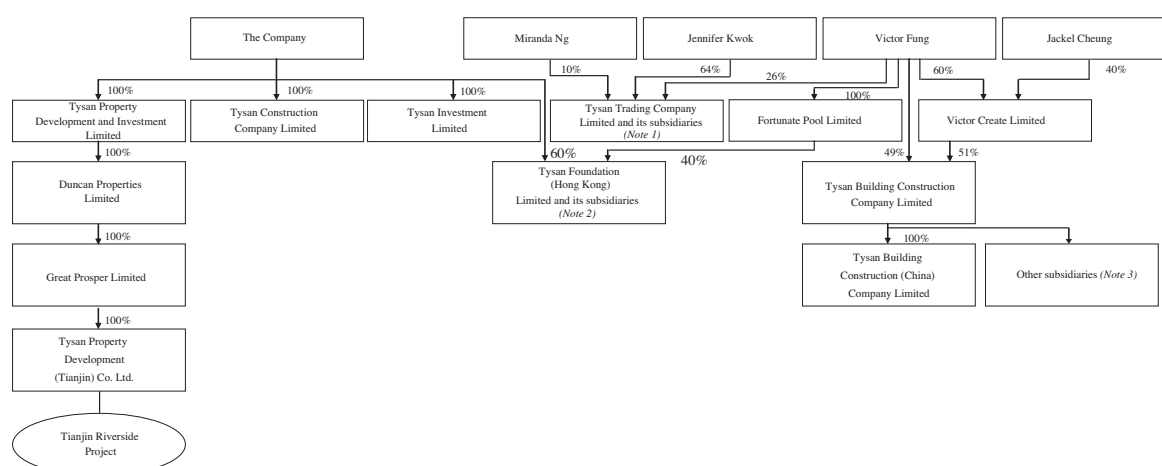
Note 1: Subsidiaries of Tysan Trading are 頓肯貿易(上海)有限公司 (Duncan Trading (Shanghai) Company Limited), 上海品派貿易有限公司 (Shanghai Pinpai Trading Company Limited*) and 上海派藝貿易有限公司 (Shanghai Paiyi Trading Company Limited*).

Note 2: Subsidiaries of Tysan Foundation (Hong Kong) are Tysan Contractors (Hong Kong) Limited, Tysan Foundation (China) Limited, Tysan Geotechnical Limited, Tysan Construction (Macau) Limited, Highgreat Limited, Tysan Machinery Hire Limited, Tysan Construction Equipment Trading Co. Ltd., Foundation Testing Services Limited, Tysan Foundation Limited and Tysan Foundation (Macau) Limited.

Note 3: Other subsidiaries are Tysan Project Management Limited, Tysan Decoration Limited and Mac Tysan Construction (Macau) Limited.

* English translation of company names are for identification purposes only

The shareholding structure of Great Prosper, Tysan Foundation (Hong Kong), Tysan Building Construction and Tysan Trading immediately after completion of the Great Prosper Acquisition, Tysan Foundation (Hong Kong) Disposal, Tysan Building Construction Disposal and Tysan Trading Disposal is as follows:



Note 1: Subsidiaries of Tysan Trading are 頓肯貿易(上海)有限公司 (Duncan Trading (Shanghai) Company Limited), 上海品派貿易有限公司 (Shanghai Pinpai Trading Company Limited*) and 上海派藝貿易有限公司 (Shanghai Paiyi Trading Company Limited*).

Note 2: Subsidiaries of Tysan Foundation (Hong Kong) are Tysan Contractors (Hong Kong) Limited, Tysan Foundation (China) Limited, Tysan Geotechnical Limited, Tysan Construction (Macau) Limited, Highgreat Limited, Tysan Machinery Hire Limited, Tysan Construction Equipment Trading Co. Ltd., Foundation Testing Services Limited, Tysan Foundation Limited and Tysan Foundation (Macau) Limited.

Note 3: Other subsidiaries are Tysan Project Management Limited, Tysan Decoration Limited and Mac Tysan Construction (Macau) Limited.

* English translation of company names are for identification purposes only

As at the Latest Practicable Date, save for the Offer, the Special Deal Transactions (including the Non-exempt Connected Transactions) and transactions in its ordinary course of business, there is no

LETTER FROM THE BOARD

agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) involving Tysan Group in respect of (i) any further acquisition of business and/or assets or new investment opportunity; and (ii) any further disposal, termination, and/or scaling down of the existing businesses and major assets.

The SGM will be convened to approve, among other things (if any), the Special Deal Transactions and the Non-exempt Connected Transactions.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Li Kit Chee, an independent non-executive Director, has been established for the purpose of advising Independent Shareholders as to whether the terms of the Special Deal Transactions (including the Non-exempt Connected Transactions) are fair and reasonable and the voting action that he would recommend.

Mr. Li Kit Chee is the sole member of the Independent Board Committee because all other Directors are parties to the Chien Legal Proceedings and given that the discontinuation of the Chien Legal Proceedings is one of the Pre-Conditions, they are excluded from the Independent Board Committee.

Your attention is drawn to the letter from the Independent Financial Adviser set out on pages 65 to 108 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Special Deal Transactions (including the Non-exempted Connected Transactions) are fair and reasonable, and whether the Non-exempt Connected Transactions are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and Shareholders as a whole, and the voting action that the Independent Financial Adviser would recommend at the SGM.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Monday, 16 December 2013, will be eligible to attend and vote at the SGM. The Company's register of members will be closed from Friday, 13 December 2013 to Monday, 16 December 2013 (both days inclusive) during which period no transfer of Shares will be registered. In order to attend and vote at the SGM, all transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Thursday, 12 December 2013.

SGM

The SGM will be held at 10 a.m., on Monday, 16 December 2013 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-3 of this circular.

LETTER FROM THE BOARD

SHAREHOLDERS WHO ARE REQUIRED TO ABSTAIN FROM VOTING AT THE SGM

Having made all reasonable enquiries, the Board believes that there are no other Shareholders who are required to abstain from voting at the SGM on the Proposed Resolutions other than the persons set out below:-

Shareholder	Shareholding as at the Latest Practicable Date
Mr. Francis Cheung (together with Power Link, Long Billion, Easternfunds and Grand Thunder)	354,180,065 Shares (40.49%), of which Power Link held 171,237,000 Shares (19.58%), Long Billion held 85,088,000 Shares (9.73%), Easternfunds held 33,519,200 Shares (3.83%) and Grand Thunder held 20,728,000 Shares 2.37%)
Mr. Victor Fung	74,867,600 Shares (8.56%)
Mr. David Chien	101,021,020 Shares (11.55%)
Mr. Jackel Cheung	878,000 Shares (0.10%)
Miss Jennifer Kwok	20,000,000 Shares (2.29%)
Miss Miranda Ng	30,000 Shares (0.003%)

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.

Shareholders and potential investors in the Shares should note that the Special Deal Transactions and the Non-exempt Connected Transactions are subject to, among others, shareholders' approval by the Independent Shareholders at the SGM, and may or may not materialise. Even if the Independent Shareholders give them approval at the SGM, if the Pre-conditions of the Offer are not fulfilled or waived, the Special Deal Transactions and the Non-exempt Connected Transactions will not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

LETTER FROM THE BOARD

RECOMMENDATION

For the reasons set out in this letter, the Board recommends Shareholders to vote in favour of the Proposed Resolutions at the SGM.

Your attention is drawn to the additional information set out in the Letter from the Independent Board Committee, Letter from the Independent Financial Adviser and the Appendices to this circular and the Notice of SGM.

Yours faithfully,
For and on behalf of the Board of
TYSAN HOLDINGS LIMITED
CHIU CHIN HUNG
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 687)

25 November 2013

To the Independent Shareholders

Dear Sirs or Madam,

**SPECIAL DEAL TRANSACTIONS
(INCLUDING NOTIFIABLE AND CONNECTED TRANSACTIONS)**

AND

NOTICE OF SGM

I refer to the circular to the Shareholders dated 25 November 2013 (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.

I have been appointed by the Board to consider the terms of the Special Deal Transactions (including the Non-exempt Connected Transactions) and to advise the Independent Shareholders as to whether they 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 me and the Independent Shareholders as to whether the terms of the Special Deal Transactions (including the Non-exempt Connected Transactions) and to advise the Independent Shareholders as to whether they are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders as a whole.

I wish to draw your attention to the letter from the Board set out on pages 12 to 62 of the Circular and the letter of advice from the Independent Financial Adviser as set out on pages 65 to 108 of the Circular.

Having considered, among other matters, the principal factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice, I consider that the terms of the Special Deal Transactions (including the Non-exempt Connected Transactions) 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, I 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-3 of the Circular.

Yours faithfully,
Independent Board Committee
of
Tysan Holdings Limited
LI Kit Chee
An Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser dated 25 November 2013 for incorporation in this circular:



SOMERLEY LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

25 November 2013

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

SPECIAL DEAL TRANSACTIONS AND NON-EXEMPT CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Special Deal Transactions, the Non-exempt Connected Transactions, and the respective transactions contemplated thereunder (the "**Proposal**"). Details of the Proposal are contained in the circular dated 25 November 2013 (the "**Circular**"), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 19 August 2013, an announcement was published jointly by the Company and the Offeror, that Barclays will, on behalf of the Offeror, subject to the satisfaction or waiver of the Pre-Conditions, make a voluntary cash offer to acquire all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it), at a consideration of HK\$2.86 per Share. The making of the Share Offer is subject to, amongst other Pre-Conditions, the acceptance and clearance by MOFCOM of the Offeror's submission in respect of the Share Offer under the anti-monopoly law of the PRC, the approval of the Proposal by the Independent Shareholders at the SGM, and the unconditional withdrawal of certain legal proceedings involving the Company and certain Directors.

The Proposal comprises (i) the Great Prosper Acquisition, (ii) the Tysan Foundation (Hong Kong) Disposal (and the related Shareholders' Agreement, Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities), (iii) the Tysan Building Construction Disposal, (iv) the Tysan Trading Disposal, and (v) the Management Incentives (as defined below) to Miss Jennifer Kwok, all of which constitute special deals under Rule 25 of the Takeovers Code, and require approval from the Independent Shareholders. The Great Prosper Acquisition, the Tysan Foundation (Hong Kong) Disposal and the Tysan Building Construction Disposal also constitute Non-exempt Connected Transactions under chapter 14A of the Listing Rules, and require approval from the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Since Mr. Francis Cheung (together with Power Link, Long Billion, Easternfunds, and Grand Thunder), Mr. Victor Fung, Miss Jennifer Kwok, Mr. David Chien, Mr. Jackel Cheung and Miss Miranda Ng are involved in one or more of the Special Deal Transactions and/or the Non-exempt Connected Transactions, all of the mentioned persons (and their respective associates and parties acting in concert with each of them) will abstain from voting on the relevant resolutions regarding the Proposal at the SGM.

The Independent Board Committee has been established for the purpose of advising the Independent Shareholders on the Special Deal Transactions and the Non-exempt Connected Transactions, as well as advising the Shareholders on the Share Offer (if it is made). The Independent Board Committee comprises solely of Mr. Li Kit Chee, as each of the other independent non-executive Directors are currently defendants of the legal proceedings HCMP 2892 of 2012 and HCMP 207 of 2013, and the withdrawal of the Chien Legal Proceedings is one of the Pre-Conditions. The Independent Board Committee has approved the appointment of Somerley Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as regards to the Special Deal Transactions and the Non-exempt Connected Transactions.

We are not associated with Tysan Group, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Proposal. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from Tysan Group, the Offeror, or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the directors and management of Tysan Group, which we have assumed to be true, accurate and complete at the time they were made and up to the date of the Circular. Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to the above. We have reviewed, among other things, the published information on Tysan Group, including its annual reports for the three years ended 31 March 2013, 2012 and 2011, the property valuation report in relation to the Great Prosper Acquisition as set out in Appendix II, and the business valuation reports in relation to the Tysan Foundation (Hong Kong) Disposal and the Tysan Building Construction Disposal as set out in Appendix III. We have also discussed with the Directors the material changes in Tysan Group's financial position and business prospects since the date of the last published audited accounts as at 31 March 2013. We have sought and received confirmation from the Board that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of Tysan Group or its associated companies, nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Proposal, we have taken into account the following principal factors and reasons:

1. Background of and reasons for the Proposal

Tysan Group is principally engaged in foundation piling, property development, property investment and management, machinery leasing and trading segment, and electrical and mechanical engineering. Tysan Group's foundation piling business, active in Hong Kong and Macau, has been generating a significant portion of Tysan Group's revenue over the years. For the two years ended 31 March 2013 and 2012, revenue from Tysan Group's foundation piling business represented approximately 76.9% and 94.5% of Tysan Group's total revenue respectively.

While the majority of Tysan Group's turnover is generated from the foundation piling business in Hong Kong and Macau, its property development projects in the PRC contributed most of the segment results of Tysan Group for the year ended 31 March 2013. Tysan Group currently has three property development projects, namely The Waterfront, a residential project in Shanghai, the Tianjin Riverside Project, a residential project in Tianjin, and an early stage residential and commercial project in Shenyang.

Set out below is a summary of the segment information of Tysan Group for the three years ended 31 March 2013:

	Foundation piling <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Machinery leasing and trading <i>HK\$'000</i>	Electrical and mechanical engineering <i>HK\$'000</i>	Unallocated & eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>For the year ended</i>							
<i>31 March 2013 (audited)</i>							
<u>Operating results</u>							
Revenue	2,896,047	761,435	24,723	35,275	53,206	(3,407)	3,767,279
Segment results	80,450	340,229	20,857	1,213	(2,656)	(76,996)	363,097
<u>Assets and liabilities</u>							
Segment total assets	1,244,624	2,301,555	541,801	44,655	19,295	921,617	5,073,547
Segment total liabilities	962,121	338,042	11,133	1,512	16,343	1,374,427	2,703,578
<i>For the year ended</i>							
<i>31 March 2012 (audited)</i>							
<u>Operating results</u>							
Revenue	2,219,025	64,967	31,896	23,700	10,683	(1,929)	2,348,342
Segment results	236,036	(22,546)	26,610	(843)	157	(87,197)	152,217

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Foundation piling	Property development	Property investment and management	Machinery leasing and trading	Electrical and mechanical engineering	Unallocated & eliminations	Total
	<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>HK\$'000</i>
<i>Assets and liabilities</i>							
Segment total assets	870,775	1,951,092	654,986	37,542	22,976	593,152	4,130,523
Segment total liabilities	516,783	442,965	44,289	1,715	4,259	1,083,365	2,093,376
<i>For the year ended</i>							
<i>31 March 2011 (audited)</i>							
<i>Operating results</i>							
Revenue	1,852,870	691,100	74,724	12,386	29,705	(1,017)	2,659,768
Segment results	150,364	414,812	187,513	(2,910)	4,797	(49,618)	704,958
<i>Assets and liabilities</i>							
Segment total assets	710,914	1,612,632	536,645	24,989	61,552	1,184,831	4,131,563
Segment total liabilities	492,506	419,091	66,229	2,920	74,785	1,146,617	2,202,148

Background of the Proposal

On 19 August 2013, the Company and the Offeror jointly announced the terms of the Share Offer, which is subject to, among others, satisfaction or waiver of the Pre-Conditions. The Share Offer, if it proceeds, will be made by Barclays on behalf of the Offeror on the following basis:

Consideration of the Share Offer

For each Share HK\$2.86 in cash

The Offer Price of HK\$2.86 per Share represents a premium of approximately 10.0% over the closing price of HK\$2.60 per Share on the Last Trading Day, and premiums of approximately 37.5%, 45.9% and 59.8% over the 30-day, 60-day and 90-day average closing prices respectively.

The Pre-Conditions of the making of the Share Offer include, among others, the approval of the Special Deal Transactions and the Non-exempt Connected Transactions by the Independent Shareholders at the SGM, both of which cannot be waived.

The Share Offer, if and when made, is subject to the satisfaction or waiver of certain conditions, which includes valid acceptances of the Share Offer resulting in the Offeror and persons acting in concert with it holding more than 50.0% of the voting rights in the Company. Mr. Francis Cheung, Mr. Victor Fung and Mr. David Chien, who together are interested in approximately 60.60% of the issued Shares as at the Latest Practicable Date, have undertaken to accept the Share Offer. Consequently, subject to the Share Offer being made, it is currently expected that the Share Offer will become unconditional as to acceptance during the Offer Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Background of the Offeror

The Offeror is indirectly wholly-owned by a group of private investment funds managed by Blackstone and is ultimately controlled by The Blackstone Group L.P, which is listed on the New York Stock Exchange. Blackstone is a global asset manager and provider of financial advisory services. The Blackstone Group L.P's real estate group, the parent of the Offeror, is one of the largest opportunistic real estate investment managers in the world. It is also engaged in real estate development in major cities in the PRC such as Shanghai, Dalian, Nantong, and Wuhan.

As Tysan Group is currently involved in a number of property development projects in the PRC, Blackstone believes that the Share Offer will provide it with an opportunity to enlarge its footprint in the real estate market in the PRC.

The Proposal

In view of the possible Share Offer, the Company has decided, through implementation of the Proposal, in principle, to (i) divest its interests in non-core investments and (ii) consolidate its property development business in order to decrease minority interests as far as possible. The Proposal comprises the Special Deal Transactions and the Non-exempt Connected Transactions. Set out below is a summary of the Proposal, which requires approval from the Independent Shareholders at the SGM:

1. Great Prosper Acquisition

The acquisition by Tysan Group of a 20.0% equity interest in Great Prosper and the related shareholder's loan to the amount of approximately HK\$31.6 million, at a consideration of approximately HK\$129.4 million

Great Prosper and its subsidiary are principally engaged in the development of the Tianjin Riverside Project in Tianjin, the PRC
2. Tysan Foundation (Hong Kong) Disposal

The disposal by Tysan Group of a 40.0% equity interest in Tysan Foundation (Hong Kong) and 40.0% of the related shareholder's loan to Fortunate Pool, a company wholly-owned by Mr. Victor Fung to the amount of HK\$32.0 million, at a consideration of HK\$157.0 million

The Tysan Foundation (Hong Kong) Group is principally engaged in the business of foundation piling work, with its operations in Hong Kong and Macau
3. Tysan Building Construction Disposal

The disposal by Tysan Group of a 49.0% equity interest in Tysan Building Construction and the related shareholder's loan to Mr. Victor Fung to the amount of approximately HK\$7.4 million, at a consideration of HK\$17,150,000

Tysan Building Construction (excluding Great Prosper following completion of the Great Prosper Acquisition) and its subsidiaries are principally engaged in building and construction work in Hong Kong

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Tysan Trading Disposal The disposal by Tysan Group of a 40.0% interest in Tysan Trading and the related shareholder's loan to Miss Jennifer Kwok to the amount of HK\$0.8 million, at a consideration of HK\$4.4 million
- Tysan Trading and its subsidiaries are principally engaged in the trading and distribution of character merchandise products in the PRC
5. Management incentives to Miss Jennifer Kwok (the "Management Incentives") Increase in the monthly salary of Miss Jennifer Kwok by 15.0% with effect from the Unconditional Date, and entitlement to a pro-rata contract-end bonus representing 115.0% of the amount of her bonus to be received from the Company for the calendar year ending 31 December 2013

For the avoidance of doubt, the completion of each of the Great Prosper Acquisition, the Tysan Foundation (Hong Kong) Disposal, the Tysan Building Construction Disposal and the Tysan Trading Disposal are conditional upon the Share Offer becoming unconditional but are not inter-conditional among themselves. However, if any of the Special Deal Transactions are not approved by the Independent Shareholders, the Share Offer will not proceed.

The resulting Tysan Group after completion of the Proposal

Following the completion of the deals, which is expected to take place on the tenth Business Day after the First Closing Date, Great Prosper will become an indirect wholly-owned subsidiary of the Company. At the same time, the Company will cease to have shareholdings in Tysan Trading and Tysan Building Construction. As a result, it will no longer hold any interest in the building construction and trading businesses. Further, the Company will decrease its shareholding in Tysan Foundation (Hong Kong) from 100.0% to 60.0%.

Reasons for and benefits of the Proposal

Following negotiations with the Company, the Offeror has agreed to make the Share Offer, subject to a number of Pre-Conditions. The Company proposes to perform a strategic reorganisation of the Company's business lines, with the intention, conditional upon the completion of the Share Offer, to (i) eliminate minority shareholdings in Great Prosper, which holds the Tianjin Riverside Project, one of Tysan Group's core property development projects, and (ii) divest its non-controlling stakes, including Tysan Building Construction and Tysan Trading. We have discussed with Company management and a representative of the Offeror the rationale for making the Share offer pre-conditional on the Special Deal Transactions being approved by the Independent Shareholders. The Company has considered the proposed strategic reorganisation in the context of the Share Offer, believing that undertaking the Proposal would lead to a more advantageous Share Offer. Whilst the subsequent sections below set out separately our views in relation to each of the Special Deal Transactions and the Non-exempt Connected Transactions, we agree with the Company in that the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

proposed strategic reorganisation is to be viewed in the context of the Share Offer. As such, we concur with the Company's rationale for agreeing to have the making of the Share Offer pre-conditional on the Proposal obtaining Independent Shareholders' approval, and making the completion of the transactions under the Proposal dependent on the Share Offer becoming unconditional.

In respect of the Tysan Foundation (Hong Kong) Disposal, the Directors consider (i) the Tysan Foundation (Hong Kong) Disposal is expected to help maintain the continuity, stability and growth of the Tysan Foundation (Hong Kong) Group by securing a long term and strategic alliance with Mr. Victor Fung, a key person in the Tysan Foundation (Hong Kong) Group, given that the Company does not want to give up its foundation business, which constitutes a significant portion of the Group's turnover, and at the same time, (ii) the Company will continue to maintain control of the Tysan Foundation (Hong Kong) and be able to consolidate its financial results and position into the financial statements of Tysan Group.

The Management Incentives under Miss Jennifer Kwok's Service Agreement, being a 15.0% increase to her current monthly salary and her bonus for the year 2013, are designed to reward Miss Jennifer Kwok for her services with the Company for a period of up to six months after the Unconditional Date. The Directors consider such increment to be reasonable, considering Miss Jennifer Kwok's willingness to stay with Tysan Group during the period of the Company's change in control, and the historical trend of her remuneration package.

2. The Great Prosper Acquisition

Background of and reasons for the Great Prosper Acquisition and the Tianjin Riverside Project

Great Prosper is currently an indirectly owned subsidiary of the Company, and is interested in the Tianjin Riverside Project (天津泰悦豪庭), one of Tysan Group's three property development projects in the PRC. The Tianjin Riverside Project is a residential property development project, known as "The Riverside", located in Hexi District, Tianjin, the PRC.

As at the Latest Practicable Date, Great Prosper is 80.0% owned by Duncan Properties, an indirect wholly-owned subsidiary of the Company, and is 20.0% owned by Tysan Building Construction (China), which is in turn indirectly owned as to 49.0% by the Company, and 51.0% by Victor Create. Victor Create is a company owned as to 60.0% by Mr. Victor Fung and 40.0% by Mr. Jackel Cheung, both being executive Directors. Accordingly, Great Prosper is currently effectively owned as to approximately 89.8% by the Company, and approximately 10.2% by Victor Create.

As noted in the section headed "Reasons for and benefits of the Proposal", the Directors decided to eliminate minority shareholdings in one of the Company's core businesses, property development, as part of the strategic reorganisation of the Company's business lines. This, in turn, led to the Director's belief that a better Share Offer could be negotiated. We consider the Company's strategy to balance its negotiation powers in relation to the Great Prosper Acquisition in the context of the Share Offer to be reasonable. We also concur with the Directors that the Great Prosper Acquisition would enable to the Company to have complete control of Great Prosper, thereby providing flexibility for the Group to manage the business of Great Prosper without having to involve other shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Tianjin Riverside Project

The Tianjin Riverside Project comprises six residential blocks with a site area of approximately 15,160 square meters (“**sqm**”) and total gross floor area of approximately 77,084 sqm. The development of the six residential blocks was completed in mid-2012, and the fitting out work, which is performed in phases, will be completed in the third quarter of 2014.

Key terms of the Great Prosper Acquisition

Subject matter

Pursuant to the Great Prosper SPA, Duncan Properties agreed to purchase from Tysan Building Construction (China) the 20.0% equity interest in Great Prosper and the interest-free shareholder’s loan owing by Great Prosper to Tysan Building Construction (China), at a total consideration of HK\$129,411,764 (the “**Great Prosper Consideration**”), which will be satisfied in cash upon completion of the Great Prosper Acquisition. The consideration was determined after arm’s length negotiations between the parties to the Great Prosper SPA, by reference to the net asset value of Great Prosper, and the independent professional valuation of the properties of Tianjin Riverside Project held by Great Prosper as at 31 August 2013. Following completion of the Great Prosper Acquisition, Great Prosper, and accordingly the Tianjin Riverside Project, will be wholly-owned by the Company.

According to the Great Prosper SPA, Tysan Building Construction (China), the vendor, has undertaken that the proceeds received from the Great Prosper Acquisition will be distributed to its shareholder. In particular, the distribution is expected to be made in the following manner:

- (i) HK\$31,560,000 will be used to settle the shareholder’s loan owed by Tysan Building Construction (China) to Tysan Building Construction;
- (ii) The balance of HK\$97,851,764 will be distributed as dividend to Tysan Building Construction; and
- (iii) Tysan Building Construction (China) will also procure Tysan Building Construction to distribute the amounts to be received from (i) and (ii) above as dividend to its shareholders, namely Tysan Construction (being an amount of HK\$63,411,764) and Victor Create (being an amount of HK\$66,000,000), prior to consummation of the Tysan Building Construction Disposal.

Please also refer to the section headed “Key terms of the Tysan Building Construction Disposal” for the effect of the above cash repayment and distribution on the net asset value of Tysan Building Construction, prior to completion of the Tysan Building Construction Disposal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions precedent

The completion of the Great Prosper Acquisition is conditional upon the satisfaction or waiver of the following conditions:

- (a) the consent from the Executive and the approval from the Independent Shareholders at the SGM having been obtained to proceed with the Great Prosper Acquisition;
- (b) all regulatory consents and authorisation of any Relevant Authorities relating to the Great Prosper Acquisition having been obtained and remaining in full force and effect;
- (c) all mandatory consents from banks and/or third parties relating to the Great Prosper Acquisition having been obtained;
- (d) no government action, court order or legal proceedings being taken or made prior to the completion of the Great Prosper Acquisition that will prohibit or restrict any transaction contemplated under the Great Prosper SPA;
- (e) all the representation and warranties in the Great Prosper SPA being true and accurate in all respect and not misleading in any respect as at completion of the Great Prosper Acquisition; and
- (f) the Share Offer having become or being declared unconditional in all respects.

In the event that any of the above conditions precedent is not satisfied (or, in the case of (c) or (e), waived by Duncan Properties) on or before the Long Stop Date, the Great Prosper SPA will lapse. As at the Latest Practicable Date, none of the above conditions precedent has been waived or fulfilled.

Subject to the satisfaction or waiver of the above conditions precedent, the completion of the Great Prosper Acquisition will take place on the tenth Business Day after the First Closing Date, or such other date as the parties may agree in writing.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial information on Great Prosper

Set out below are the condensed financial statements of Great Prosper for the two financial years ended 31 December 2011 and 2012, as extracted from the audited financial statements of Great Prosper as provided by the Company:

Operating results

	For the year ended	
	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	396,935	—
Gross profit	156,445	—
Expenses	(19,024)	(12,080)
Profit/(loss) before tax	137,421	(12,080)
Profit/(loss) for the year	66,882	(12,397)

Sale of properties is recognised as revenue in the financial statements of Great Prosper upon delivery of the relevant property units to the purchaser. As shown from the above table, although pre-sale of the residential property units of the Tianjin Riverside Project commenced in December 2010, no revenue was recognised for the years 2010 and 2011 as actual delivery of property units only commenced in the year 2012. Revenue of approximately HK\$396.9 million for the year 2012 was recognised for the approximately 13,524 sqm of residential units delivered, with an average selling price of approximately HK\$29,350 per sqm. The net profit for the year 2012 was approximately HK\$66.9 million after deduction of costs, expenses and tax.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position

	As at 31 December	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Properties under development	337,690	409,835
Other non-current assets	<u>7,867</u>	<u>1,037</u>
Total non-current assets	345,557	410,872
Properties under development	156,049	361,756
Properties held for sale	387,392	—
Other current assets	9,729	40,938
Time deposits	—	43,239
Restricted cash	19,791	14,390
Cash and bank balances	<u>62,714</u>	<u>58,160</u>
Total current assets	635,675	518,483
Total assets	981,232	929,355
Trade payable and accruals	(174,019)	(102,628)
Deposits received	(120,845)	(297,131)
Tax payable	(54,158)	(317)
Due to a fellow subsidiary	(14,603)	(908)
Other payables	<u>(6,185)</u>	<u>(2,539)</u>
Total current liabilities	(369,810)	(403,523)
Loans and borrowings	(522,258)	(511,182)
Deferred tax liabilities	<u>(5,710)</u>	<u>—</u>
Total non-current liabilities	(527,968)	(511,182)
Total liabilities	(897,778)	(914,705)
Net assets	83,454	14,650

As at 31 December 2012, Great Prosper's assets mainly comprised of (i) properties under development of approximately HK\$493.7 million; (ii) properties held for sale of approximately HK\$387.4 million; and (iii) cash and bank balances of approximately HK\$62.7 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2012, Great Prosper's liabilities mainly comprised of (i) borrowings of approximately HK\$495.9 million, of which approximately HK\$373.1 million represented loans from a fellow subsidiary of Great Prosper, and approximately HK\$122.8 million represented interest-free loans from Great Prosper's shareholders, Duncan Properties (as to approximately HK\$98.2 million) and Tysan Building Construction (China) (as to approximately HK\$24.6 million); (ii) trade payable and accruals of approximately HK\$174.0 million; and (iii) deposits received of approximately HK\$120.8 million, representing advance payments from purchases of the residential units.

Property valuation

The undelivered properties of the Tianjin Riverside Project (the "**Properties**") have been valued by Vigers Appraisal and Consulting Limited (the "**Property Valuer**"), an independent professional surveyor and property valuer. The full text of the property valuation report and certificate dated 31 August 2013 is set out in Appendix II to the Circular, which Independent Shareholders are recommended to read in full. Set out below is a summary of the valuation of the Properties by the Property Valuer:

	<i>RMB'000</i>
Residential units not yet pre-sold or pre-sold but not yet delivered, car parks and certain commercial units with building ownership certificates obtained (<i>Note 1</i>)	651,400
Residential units not yet pre-sold, with building ownership certificates yet to be obtained (<i>Note 2</i>)	429,100
Certain commercial units and clubhouse with building ownership certificates yet to be obtained (<i>Note 2</i>)	69,000
Residential units pre-sold but yet to be delivered to customers and no building ownership certificate obtained (<i>Note 3</i>)	<u>38,400</u>
Total	1,187,900

Notes:

- As properties not yet delivered, legal titles are still vested in Great Prosper and the carrying values reflected in Great Prosper's balance sheet.*
- The building ownership certificates of certain blocks of the Tianjin Riverside Project have not yet been obtained, and therefore could not be legally transferred, leased or mortgaged in the open market. The Property Valuer has therefore attributed no commercial value to such blocks in its formal valuation. The above valuations assume the building ownership certificates of such blocks had been obtained as at 31 August 2013, the date of valuation, as set out in Note 15 to the valuation.*
- The building ownership certificates of those residential units pre-sold but yet to be delivered have not been obtained, due to the pre-sale contracts of such units being registered with the government, and it is the government's policy that no building ownership certificates are issued for such units. The Property Valuer has therefore attributed no commercial value to such units in its formal valuation. The above valuations assume the interest of such units was vested in Great Prosper as at 31 August 2013, the date of valuation, as set out in Note 16 to the valuation.*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

When arriving at the valuation of the Properties, the Property Valuer has adopted the direct comparison approach by making reference to comparable market transactions in the locality, and has also taken into account the construction costs to complete the development to the intended quality. Comparisons have been made in respect of the differences in locations, sizes, height of each unit, and other characteristics between the property and the relevant comparable properties in order to arrive at a value appropriate to the Properties. The above valuation methodology is, in our opinion, a reasonable approach in establishing the open market value of the Properties.

The Property Valuer has also carried out inspections and made relevant enquiries and searches for the purpose of the valuation. We have reviewed and discussed with the Property Valuer the bases and assumptions adopted for the valuation. Further, we have interviewed the Property Valuer including as to its expertise and any current or prior relationships with Tysan Group, other parties to the transaction and connected persons of either Tysan Group or another party to the transaction; reviewed the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the valuation report of the Properties, opinion or statement); and assessed whether representations made by Tysan Group or another party to the transaction are in accordance with our knowledge, as required under Listing Rule 13.80 Note 1(d). We have also performed a site visit to the Tianjin Riverside Project.

Evaluation of the consideration

The Great Prosper Consideration is approximately HK\$129.4 million. As the only business of Great Prosper is the development of the Tianjin Riverside Project, we consider it appropriate to base our assessment on net asset value, adjusting the book value of the Properties for the valuation, which is a common practice when evaluating property development projects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the purpose of evaluating the consideration, we have treated the shareholder's loan as part of the equity stake (the "Equity Stake") in Great Prosper. The shareholder's loan is unsecured, interest-free, not expected to be repaid within one year, and is contributed by the shareholders on a pro-rata basis according to their respective shareholding interest. We consider a loan made by a shareholder to a private company on the above terms, as in the case of Great Prosper, has the attributes of an equity stake. Accordingly, we consider such shareholder's loan to be part of the shareholder funds, and therefore relevant in our evaluation of the value of an Equity Stake in Great Prosper.

	<i>HK\$'000</i>
Net assets of Great Prosper before deduction of shareholders' loan as at 31 December 2012	206,254
Adjustment for delivery of properties during the eight-month period ended 31 August 2013, movement of shareholders' loan, surplus of the Properties at valuation over book value, and relevant taxes (<i>Note 1</i>)	<u>504,166</u>
Value of a 100.0% Equity Stake in Great Prosper	710,420
Value of a 20.0% Equity Stake in Great Prosper	142,084
Consideration of the Great Prosper Acquisition	129,412
<i>Discount to the value of a 20.0% Equity Stake in Great Prosper</i>	<i>8.9%</i>

Note 1: The amount of approximately HK\$504.2 million is arrived at after considering (i) delivery of properties to customers less relevant costs and expenses during the eight-month period ended 31 August 2013 of approximately HK\$54.9 million, where such properties are no longer reflected in the valuation of Properties; (ii) change in shareholders' loan during the eight-month period ended 31 August 2013 of approximately HK\$35.0 million; (iii) approximately HK\$750.8 million surplus of the Properties at valuation approximately RMB1,187.9 million (or approximately HK\$1,504.8 million) over their book value of approximately HK\$754.0 million, and (iv) relevant land appreciation tax, corporate income tax and stamp duty of approximately HK\$336.5 million.

Note 2: As regards properties pre-sold but not yet delivered to customers as at 31 August 2013, the date of valuation, the relevant revenues and costs have not been recognised, the relevant legal titles were still vested in Great Prosper, and the carrying values of the relevant properties were still reflected in Great Prosper's balance sheet, as at 31 August 2013. We therefore consider it appropriate to include in the valuation those properties that have been pre-sold but not yet delivered to customers as at the date of valuation.

As reflected in the above table, the consideration at which Tysan Group is acquiring the 20.0% stake in Great Prosper is approximately HK\$12.7 million lower than the value of a 20.0% Equity Stake in Great Prosper (an approximately 8.9% discount).

Financial effects on Tysan Group

Great Prosper is currently effectively owned as to approximately 89.8% by the Company, and its financial results and position are consolidated in the financial statements of Tysan Group. Following completion of the Great Prosper Acquisition, Great Prosper will become a wholly-owned subsidiary of the Company, and will continue to be consolidated in the financial statements of Tysan Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Earnings

Completion of the Great Prosper Acquisition is not expected to have any impact on the consolidated income statement of the Company, except that there will no longer be any future profit or loss of Great Prosper attributable to non-controlling interest, as Great Prosper will be wholly-owned by the Company.

As the delivery of property units of the Tianjin Riverside Project commenced in the last quarter of 2012, Tysan Group, through Great Prosper, will be fully entitled to the profit from future delivery of residential property units. Tysan Group will also be fully entitled to future revenue to be generated from the operation of the clubhouse and rental of car park space, although such revenue contribution is not expected to be significant.

Net asset value and working capital

Upon completion of the Great Prosper Acquisition, there will be an excess of purchase consideration over the book value of the 10.2% non-controlling interest being acquired, which arises from the fact that the book value of Great Prosper, which comprises principally the Properties recorded at cost, is lower than the purchase consideration, which is determined with reference to the market value of the Properties. As the Great Prosper Acquisition will not result in any change in control by Tysan Group over Great Prosper, the excess as calculated above will be recognised directly as a reduction of equity. The actual amount of such excess will be determined as at the date of completion of the Great Prosper Acquisition.

According to the valuation report of the Properties, the outstanding construction costs to complete the development are approximately RMB98.7 million (or approximately HK\$124.8 million). Taking into account the cash and bank balance of Great Prosper of approximately HK\$178.8 million as at 31 August 2013, and the fact that the Tianjin Riverside Project is now in its final development stage and further pre-sale and deliveries of properties would bring additional cash inflow to Great Prosper, the Directors are of the view that Great Prosper would have adequate financial resources to meet such cash flow requirements.

Discussion

The Tianjin Riverside Project, situated in Tianjin, the PRC, is one of the three current property projects of Tysan Group. It is now in its final stage of development, and has been generating cash flow from its pre-sale of residential properties and making a significant contribution to Tysan Group's profit. Taking into account the possible Share Offer, the Company has decided to consolidate the Company's property development business in order to eliminate minority interests. As a result, the Great Prosper SPA was entered into, so that Tysan Group could acquire the remaining interest in the Tianjin Riverside Project.

The value of a 100.0% Equity Stake in Great Prosper, after taking into account of the valuation of the Properties and the associated tax effects, is approximately HK\$710.4 million, which translates to approximately HK\$142.1 million for a 20.0% interest. The consideration for acquiring the 20.0% of Great Prosper of approximately HK\$129.4 million represents an approximately 8.9% discount to such value of the Equity Stake, which we consider beneficial to Tysan Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Following completion of the Great Prosper Acquisition, Great Prosper will become a wholly-owned subsidiary of the Company. The financial results and position of Great Prosper will continue to be consolidated in the financial statements of Tysan Group. We consider that the Great Prosper Acquisition gives an opportunity to Tysan Group to eliminate minorities and gain full control of the Tianjin Riverside Project at a time when the risks are lowered as the project is substantially complete, at a consideration which we consider fair and reasonable.

The Great Prosper Acquisition is not in the usual course of business of the Company. Having taken into account the principal factors and reasons as set out above, we are of the view that the terms of the Great Prosper Acquisition are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and that the Great Prosper Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. The Tysan Foundation (Hong Kong) Disposal

Background of Tysan Foundation (Hong Kong)

Tysan Foundation (Hong Kong) is a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Company. It is principally engaged in the business of foundation piling related works, including foundation piling, substructure and basement construction, site formation, ground investigation, landslip preventative and slope works, demolition as well as road and drainage works, for public and/or private sectors and/or non-government organisations. Mr. Victor Fung is the vice chairman and managing director of the Company. He joined Tysan Group in 1994 and has over 34 years of experience in the fields of consulting engineering, construction management, foundation piling and property development.

Tysan Foundation (Hong Kong) has been contributing a majority of Tysan Group revenue in recent years. For the year ended 31 March 2013, revenue from Tysan Foundation (Hong Kong) amounted to approximately HK\$2,896.0 million, which represents approximately 76.9% of the total revenue of Tysan Group. However, due to increased competition, rising costs and unexpected delay in some projects, the net profit of Tysan Foundation (Hong Kong) dropped approximately 82.9% to approximately HK\$27.4 million for the year ended 31 March 2013.

Background of the Tysan Foundation (Hong Kong) disposal announced by the Company in November 2012 and the related Chien Legal Proceedings

On 12 November 2012, the Company announced its intention to dispose of 40.0% of its interest in Tysan Foundation (Hong Kong) to Fortunate Pool, a company directly owned by Mr. Victor Fung (the “**November 2012 Foundation Disposal**”). Upon completion of the related sales and purchase agreement (the “**November 2012 Foundation Sale and Purchase Agreement**”), a shareholders’ agreement and a deed of counter-indemnity would have been executed and become effective.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 7 January 2013, the Company announced that Mr. David Chien, a Director, would be seeking an interim injunction from the High Court of Hong Kong (the “**High Court**”) to restrain the then other Directors from furthering the November 2012 Foundation Sale and Purchase Agreement (the “**Interim Injunction**”), and that he intends to represent the Company in legal proceedings intended to be brought against all the then other Directors.

On 23 April 2013, the Company announced that Mr. David Chien applied for orders or relief from the High Court to grant permission to him to bring a derivative action on behalf of the Company against, amongst others, all of the Directors (other than Mr. Li Kit Chee, an independent non-executive Director) and Fortunate Pool.

On 7 June 2013, the Company announced that the High Court granted an injunction to restrain the then Directors (other than Mr. Victor Fung, Mr. David Chien and Mr. Li Kit Chee) from completing the November 2012 Foundation Disposal and on 2 July 2013, the Company announced that the conditions to the November 2012 Foundation Sale and Purchase Agreement had not been fulfilled by 30 June 2013, being the long stop date, and accordingly the November 2012 Foundation Disposal would not proceed.

Pursuant to the Settlement Agreement dated 16 August 2013, Mr. David Chien has agreed to unconditionally withdraw the Chien Legal Proceedings within 3 Business Days of the relevant Independent Shareholders approving the Special Deal Transactions and the Non-exempt Connected Transactions.

Reasons for the Tysan Foundation (Hong Kong) Disposal

The Board considers that the Tysan Foundation (Hong Kong) Disposal will be beneficial to the Company for the following reasons:

- (1) Retaining the services of Mr. Victor Fung following the completion of the Share Offer is considered an important goal. The Tysan Foundation Disposal will help to maintain continuity, stability and growth of the Tysan Foundation (Hong Kong) Group whilst establishing a long term alliance with Mr. Victor Fung.
- (2) The Tysan Foundation (Hong Kong) Disposal is consistent with the Company’s business development plans. Given the Company will hold a majority 60.0% equity interest in Tysan Foundation (Hong Kong) following the Tysan Foundation (Hong Kong) Disposal, the Company will continue to benefit from the potential growth in Tysan Foundation (Hong Kong).
- (3) The Company will realise cash proceeds arising from the Tysan Foundation (Hong Kong) Disposal while at the same time aligning the interests of Mr. Victor Fung with those of Tysan Group.
- (4) The completion of the Tysan Foundation (Hong Kong) Disposal would facilitate the making of the Share Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Key terms of the Tysan Foundation (Hong Kong) Disposal

Subject matter

On 16 August 2013, the Company and Fortunate Pool entered into the Tysan Foundation (Hong Kong) SPA, pursuant to which the Company has agreed to sell to Fortunate Pool, a company owned by Mr. Victor Fung, a 40.0% equity interest in Tysan Foundation (Hong Kong) and 40.0% of the interest-free shareholder's loan owing by Tysan Foundation (Hong Kong) to the Company, at a total consideration of HK\$157.0 million (the "**Foundation Consideration**") (of which HK\$125 million is attributed to 40% equity interest in Tysan Foundation (Hong Kong) and HK\$32 million is attributed to the abovementioned shareholder's loan), payable in cash upon completion. The Foundation Consideration was determined after arm's length negotiations between the Company and Mr. Victor Fung taking into account, inter alia, Tysan Foundation (Hong Kong)'s earnings in the past and business prospects, degree of control, liquidity and where applicable, Tysan Foundation (Hong Kong)'s dependence on key personnel. Mirroring the rationale set out in the section headed "The Great Prosper Acquisition — Evaluation of the consideration", for the purpose of evaluating the Foundation Consideration we have treated the above shareholder's loan as part of the Equity Stake in Tysan Foundation (Hong Kong).

Conditions precedent

Completion of the Tysan Foundation (Hong Kong) Disposal is conditional upon the satisfaction or waiver of the following conditions:

- (a) the consent from the Executive and the approval from the Independent Shareholders at the SGM having been obtained to proceed with the Tysan Foundation (Hong Kong) Disposal in accordance with the Takeovers Code;
- (b) the Company having obtained the approval of the Independent Shareholders at the SGM in respect of the Tysan Foundation (Hong Kong) Disposal in accordance with the Listing Rules;
- (c) no government action, court order or legal proceedings having been taken making the Tysan Foundation (Hong Kong) Disposal unlawful;
- (d) the Share Offer having become or being declared unconditional in all respects;
- (e) the representations and warranties remaining true and accurate in all material respects and are not misleading; and
- (f) the Deed of Counter-Indemnity having been executed by Fortunate Pool and Mr. Victor Fung in favour of the Company.

In the event that any of the above conditions precedent is not satisfied or waived (other than conditions (a), (b), (c), (d) and (f) which cannot be waived) on or before the Long Stop Date, the Tysan Foundation (Hong Kong) SPA will lapse. As at the Latest Practicable Date, none of the above conditions precedent has been waived or fulfilled.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject to the satisfaction or waiver of the above conditions precedent, completion of the Tysan Foundation (Hong Kong) Disposal shall take place on the tenth Business Day after the First Closing Date or such other date as the parties may agree in writing.

Key terms of the Shareholders' Agreement

Subject matter

Upon completion of the Tysan Foundation (Hong Kong) Disposal, the Company, Fortunate Pool, Mr. Victor Fung and Tysan Foundation (Hong Kong) will enter into the Shareholders' Agreement to set out their mutual agreement regarding corporate governance and rights and obligations of the shareholders of Tysan Foundation (Hong Kong).

Principal terms of the Shareholders' Agreement

- (a) The board of directors shall be comprised of up to five directors, of which Fortunate Pool shall nominate two executive directors (one of which will be Mr. Victor Fung) and the Company three directors.
- (b) The Company shall nominate a chief financial officer or designate one of its nominated directors as an executive director, in each case to be in charge of financial matters. The appointment shall be subject to mutual consent.
- (c) Mr. Victor Fung and the other director nominated by Fortunate Pool shall be responsible and have authority for the day-to-day operation, in particular, the day-to-day management of the business in accordance with the annual business plan and budget, which will be jointly formulated and approved by the Company and Fortunate Pool.
- (d) Amongst others, the matters below require prior written approval by all shareholders of Tysan Foundation (Hong Kong):
 - a. Approval of annual budget and business plan
 - b. Any change in business nature
 - c. Any merger or amalgamation with any other entity
 - d. Approval of any contracts or agreements of a value or consideration of over HK\$550 million

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) Unless otherwise agreed, Tysan Foundation (Hong Kong) shall distribute not less than 50.0% of (1) the distributable profits of Tysan Foundation (Hong Kong) Group, and (2) the net profit after taken into account the capital expenditure projection requirements, whichever is more, to its shareholders.
- (f) Any transfer of shares in Tysan Foundation (Hong Kong) shall be subject to first right of refusal, drag-along and tag-along rights of the other shareholder. Parties may only transfer their entire (and not part only) shareholding.
- (g) Fortunate Pool shall not sell any of its shares until the earlier of (i) the expiry of 60 months after completion of the Tysan Foundation (Hong Kong) Disposal; or (ii) Blackstone ceasing to hold or manage funds which hold, 50.0% or more equity interest in the Company, the Offeror or Holdco.
- (h) The Shareholders' Agreement shall continue until such time as it is terminated by the parties or a shareholder ceases to hold any shares in Tysan Foundation (Hong Kong).

The principal terms of the Shareholders' Agreement include provisions for the ability of Mr. Victor Fung and the other director nominated by Fortunate Pool to be responsible and to have authority for the day-to-day operation. Given that the Company will hold a 60.0% interest in Tysan Foundation (Hong Kong) following the completion of the Tysan Foundation (Hong Kong) Disposal, the following provisions are included in the Shareholders' Agreement:

- (a) Both shareholders shall be represented on the board of Tysan Foundation (Hong Kong) in proportion to their shareholdings (i.e. 3:2 in favour of the Company);
- (b) While the day-to-day management of the business shall be carried out by Mr. Victor Fung, the business of the company shall be managed and conducted by the board of Tysan Foundation (Hong Kong); and
- (c) Fortunate Pool may not terminate the Shareholders' Agreement within five years, unless Blackstone has exited from the business.

We have discussed terms and rationale of the Tysan Foundation (Hong Kong) Disposal with Company management, including Mr. Victor Fung, noting the importance the Company attaches to having Mr. Victor Fung continue to carry out the day-to-day management of the business.

Given (i) the business of the company shall be managed and conducted by the board; (ii) the Company is to hold a majority of the board seats and will still be able to consolidate the financial results and positions of Tysan Foundation (Hong Kong) into Tysan Group's financial statements; and (iii) the Shareholders' Agreement would enable the Company to retain Mr. Victor Fung in Tysan Group, we consider the terms of the Shareholders' Agreement to be fair and reasonable to Tysan Group in the context of the Tysan Foundation (Hong Kong) Disposal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Key terms of the Deed of Counter-Indemnity

Background

The Company provides, and intends to continue to provide for a period of up to 24 months from the closing of the Share Offer, a number of Guarantees and Indemnities in respect of the Tysan Banking Facilities to enable the Tysan Foundation (Hong Kong) Group to obtain the Tysan Banking Facilities. The maximum liability under the existing Guarantees and Indemnities is approximately HK\$1.25 billion, as at Latest Practicable Date. We have discussed with Tysan Group management and following conversations with two of the Financial Institutions, we understand that the Financial Institutions may not accept a several and pro-rata guarantee. Accordingly, the relevant parties have entered into the Deed of Counter-Indemnity in order for Fortunate Pool and Mr. Victor Fung to undertake their proportion of the Guarantees and Indemnities on the basis that Fortunate Pool will hold 40.0% of Tysan Foundation (Hong Kong) following completion of the Tysan Foundation (Hong Kong) Disposal.

Key terms of the Deed of Counter-Indemnity

Upon completion of the Tysan Foundation (Hong Kong) Disposal, Fortunate Pool and Mr. Victor Fung will enter into the Deed of Counter-Indemnity in favour of the Company, pursuant to which Fortunate Pool and Mr. Victor Fung, both as covenantors, shall jointly and severally irrevocably covenant with the Company that they will, (a) for so long as Mr. Victor Fung and Fortunate Pool own 40.0% of Tysan Foundation (Hong Kong); and (b) for so long as the shares of the Company remain listed on the Stock Exchange, indemnify Tysan Group against 40.0% of all liabilities, damages, costs, charges and expenses of whatever nature under or arising from the Guarantees and Indemnities, as at the Latest Practicable Date being approximately HK\$500.0 million. The execution of the Deed of Counter-Indemnity is a condition precedent to the completion of the Tysan Foundation (Hong Kong) SPA.

We have reviewed Mr. Victor Fung's personal statement of assets and liabilities as at 31 October 2013 and have been provided by the Company with the average monthly utilisation rates of the Tysan Banking Facilities (the "Utilisation Rate") for the period of October 2009 to September 2013. We note a Utilisation Rate of approximately HK\$484.5 million and the highest Utilisation Rate of approximately HK\$622.6 million for the period of October 2012 to September 2013. On the basis that (i) Mr. Victor Fung's 40.0% share of the Utilisation Rate and the highest Utilisation Rate under the Deed of Counter-Indemnity as stated above is considerably below his net assets; and (ii) the expectation that the business of Tysan Foundation (Hong Kong) Group will not change significantly given management continuity as reflected in the Shareholders' Agreement, Mr. Victor Fung and Fortunate Pool would be able to meet their potential liability under the Deed of Counter-Indemnity.

Given (i) Mr. Victor Fung and Fortunate Pool assuming a share of the Guarantees and Indemnities in proportion of their interest in Tysan Foundation (Hong Kong) upon completion; (ii) the long stop date of 24 months for the provision of the Guarantees and Indemnities; (iii) our conversations with the Company as to what changes to the terms and conditions of the Tysan Banking Facilities the Financial Institutions would be willing to accept; (iv) following conversations with

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

two of the Financial Institutions, our understanding that they may not accept a several and pro-rata guarantee; and (v) the financial capabilities of Mr. Victor Fung, we consider the terms of the Deed of Counter-Indemnity to be fair and reasonable to Tysan Group in the context of the Tysan Foundation (Hong Kong) Disposal.

Financial information on Tysan Foundation (Hong Kong)

Set out below are the condensed financial statements of Tysan Foundation (Hong Kong) for the three financial years ended 31 March 2011, 2012 and 2013, as extracted from the management accounts of Tysan Foundation (Hong Kong) provided by the Company based on the respective audited financial statements of each of the subsidiaries now composing the Tysan Foundation (Hong Kong) Group as provided by the Company:

Operating results

	For the year ended 31 March		
	2013	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	2,896,047	2,219,025	1,852,870
Gross profit/(loss)	90,868	230,872	147,153
<i>Gross profit %</i>	<i>3.1%</i>	<i>10.4%</i>	<i>7.9%</i>
Other income and gains	2,137	8,541	6,148
Administrative expenses	(34,560)	(28,800)	(25,680)
Other expenses	(16,362)	(13,621)	(1,930)
Finance costs	(4,203)	(2,206)	(3,540)
Profit before tax	37,880	194,786	122,151
Profit for the year	27,403	160,686	103,480

Financial year ended 31 March 2012 compared to financial year ended 31 March 2011

Tysan Foundation (Hong Kong)'s revenue increased by approximately 19.8% to approximately HK\$2,219.0 million for the year ended 31 March 2012, from approximately HK\$1,852.9 million the year before, due to an increase of projects on hand, including a Hong Kong Housing Authority's project in Tung Chung, and various other projects in Hong Kong. Gross profit and net profit increased by approximately 56.9% and approximately 55.3% respectively to approximately HK\$230.9 million and approximately HK\$160.7 million respectively for the year ended 31 March 2012, principally due to write-back of cost provisions of certain projects finalised during the year, which led to an improvement in gross profit and net profit margins, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial year ended 31 March 2013 compared to financial year ended 31 March 2012

Tysan Foundation (Hong Kong)'s revenue increased by approximately 30.5% to approximately HK\$2,896.0 million for the year ended 31 March 2013, due to a further increase of projects on hand, including the Cotai Galaxy project in Macau and various projects in Hong Kong. Gross profit, however, decreased by approximately 60.6% to approximately HK\$90.9 million for the year ended 31 March 2013, due to increased competition, rising costs and unexpected delays in some projects. Due to the same reason, net profit decreased significantly by approximately 82.9% to approximately HK\$27.4 million.

Financial position

	As at 31 March		
	2013	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Property, plant and equipment	188,806	201,380	158,137
Other non-current assets	3,909	—	—
Total non-current assets	192,715	201,380	158,137
Amounts due from related companies	222,511	325,126	186,784
Trade receivables	701,453	411,896	436,841
Other current assets	136,103	155,849	189,862
Cash and bank balances	227,280	106,832	36,493
Total current assets	1,287,347	999,703	849,980
Total assets	1,480,062	1,201,083	1,008,117
Amount due to customers for contract works	(523,936)	(183,723)	(222,494)
Trade payable and accruals	(437,843)	(332,807)	(269,945)
Interest-bearing bank borrowings	(37,060)	(80,645)	(62,363)
Other current liabilities	(56,908)	(74,288)	(4,223)
Total current liabilities	(1,055,747)	(671,463)	(559,025)
Loan from holding company	(80,000)	(195,052)	(195,052)
Interest-bearing bank borrowings	(14,260)	(27,992)	(18,292)
Deferred tax liabilities	(17,896)	(21,820)	(17,678)
Total non-current liabilities	(112,156)	(244,864)	(231,022)
Total liabilities	(1,167,903)	(916,327)	(790,047)
Net assets	312,159	284,756	218,070

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 March 2013, Tysan Foundation (Hong Kong)'s assets mainly comprised of (i) trade receivables of approximately HK\$701.5 million; (ii) cash and bank balances of approximately HK\$227.3 million; (iii) amounts due from related companies company of approximately HK\$222.5 million; and (iv) property, plant and equipment of approximately HK\$188.8 million.

As at 31 March 2013, liabilities of Tysan Foundation (Hong Kong) mainly comprised of (i) amount due to customers for contract works of approximately HK\$523.9 million; (ii) trade payable and accruals of approximately HK\$437.8 million; and (iii) borrowings of approximately HK\$131.3 million, which includes HK\$80.0 million of loan from holding company and approximately HK\$51.3 million of interest-bearing bank borrowings.

Business valuation and evaluation of the consideration

For the purpose of evaluating the Foundation Consideration of HK\$157 million, Censere (Far East) Limited, an independent business valuer, has been engaged by the Company to assess the value of a 40.0% Equity Stake in Tysan Foundation (Hong Kong) (the "**Foundation Valuation Report**"). We have reviewed and discussed with the Company and the Business Valuer the qualifications, bases and assumptions adopted by the Business Valuer in the course of its work and have satisfied ourselves that the qualifications, bases and assumptions have been made with due care and objectivity, and on a reasonable basis. We undertook reasonableness checks to assess the relevant experience and expertise of the Business Valuer and have satisfied ourselves that reliance could fairly be placed on its work. Further, we have interviewed the Business Valuer including as to its expertise and any current or prior relationships with Tysan Group, other parties to the transaction and connected persons of either Tysan Group or another party to the transaction; reviewed the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the Business Valuer's report, opinion or statement); and assessed whether representations made by Tysan Group or another party to the transaction are in accordance with our knowledge, as required under Listing Rule 13.80 Note 1(d). We have also performed site visits to Tysan Foundation (Hong Kong) construction sites. The full text of the Foundation Valuation Report is set out in Appendix III to the Circular, and Independent Shareholders are recommended to read it in full.

According to the Foundation Valuation Report, the value of a 40.0% Equity Stake in Tysan Foundation (Hong Kong) is approximately HK\$153.8 million as at 31 August 2013 (the "**Foundation Business Valuation**") based on the research and analyses conducted by the Business Valuer. Based on the sensitivity analysis performed by the Business Valuer, the value of a 40.0% Equity Stake in Tysan Foundation (Hong Kong) is in the range of approximately HK\$77.9 million to HK\$260.3 million as at 31 August 2013.

In the process of assessing the value of a 40.0% Equity Stake in Tysan Foundation (Hong Kong), the Business Valuer considered three valuation approaches, namely the cost approach, the income approach and the market approach. We concur with the Business Valuer that the cost approach is not suitable in this case, given that economic benefits contributed by the subject business are not taken into account in such a valuation. We also concur with the Business Valuer that the income approach should not be adopted here, given that this method requires a number judgements to be made to arrive at, among others, detailed cash flow forecasts. As a result, the market approach, which utilises

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

comparisons with publicly traded comparable companies to arrive at an estimation of the market value of a private company, is used by the Business Valuer for valuation purposes. We consider the use of the market approach to be reasonable in this context. The Business Valuer has determined the price-to-earnings ratio (the “**PER**”) to be most appropriate in determining the value of Tysan Foundation (Hong Kong). Given that the usage of PER is a widely used ratio under the market approach; (ii) the relevance of using PER given the comparability of the peer group and (iii) following discussions with the Business Valuer as to the rationale for using the PER ratio, the usage of PER is, in our opinion, a reasonable approach.

The Business Valuer has identified four comparable companies which (i) have in their latest financial year generated at least 75.0% of total revenue from construction services, (ii) have an active foundation piling business segment and (iii) are listed on the Stock Exchange with a reasonable length of listing history, i.e. at least two years. We consider the Business Valuer’s selection criteria represent an appropriate approach to identify the comparable companies which are engaged in business that is similar to Tysan Foundation (Hong Kong). For comparison purposes, we have reviewed companies which are engaged in business that is similar to Tysan Foundation (Hong Kong) Group, based on the same set of criteria as the Business Valuer. As such, we have identified the same set of comparable companies as the Business Valuer. Based on the above, we believe the Business Valuer’s selection of comparable companies to be reasonable and exhaustive.

For calculating the PERs, the Business Valuer has chosen to consider 3-year average earnings, due to historically large fluctuations in the earnings performance of Tysan Foundation (Hong Kong). We believe this basis for valuation is reasonable, given (i) Tysan Foundation (Hong Kong)’s volatile earnings in the past three financial years; (ii) 3-year average earnings striking a balance between smoothing out volatility and still reflecting a relevant picture of the earnings to be evaluated and (iii) that there have been no significant changes in the operations of Tysan Foundation (Hong Kong) in the last three financial years. The Business Valuer has determined the price based on the 90-day average share price. We consider this reasonable, as doing so adjusts for short term volatilities in share prices as at the valuation date and is considered by the Business Valuer to be common market practice.

The Business Valuer applies a 33.0% marketability discount to its valuation of Tysan Foundation (Hong Kong), based on benchmark marketability discount studies. The use of a marketability discount used by the Business Valuer for the purpose of valuing Tysan Foundation (Hong Kong) is, in our view, reasonable, given (i) the shares of Tysan Foundation (Hong Kong) not being publicly tradable; (ii) our belief that no universal consensus exists as to which marketability discount to use and (iii) discussions with the Business Valuer as to the rationale for using such marketability discount, referencing nine benchmark studies that represent nine of the most commonly referred to marketability discount studies by the market. The Foundation Consideration of HK\$157.0 million represents a premium of approximately 2.1% to the Foundation Business Valuation of approximately HK\$153.8 million. We consider such premium to the Foundation Business Valuation to be beneficial to Shareholders. Given the above, we consider the Foundation Consideration to be acceptable to the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial effects on Tysan Group

Earnings and net assets

Immediately after completion of the Tysan Foundation (Hong Kong) Disposal, Tysan Foundation (Hong Kong) will become a 60.0% owned subsidiary of the Company. The financial results of the Tysan Foundation (Hong Kong) Group will continue to be consolidated into the Company's consolidated financial statements, with a minority interest reflecting Fortunate Pool's 40.0% interest in Tysan Foundation (Hong Kong) Group.

The 40.0% share of net assets of Tysan Foundation (Hong Kong) after the disposal will be reflected as equity attributable to non-controlling interests in the Company's consolidated statement of financial position, to the amount of approximately HK\$156.9 million as at 31 March 2013. It is expected that the Tysan Foundation (Hong Kong) Disposal will give rise to a premium to be recognised directly in equity of Tysan Group of approximately HK\$0.1 million. The actual amount will be determined as at the date of completion of the Tysan Foundation (Hong Kong) Disposal.

Working capital

As advised by the management of the Company, the net proceeds from the Tysan Foundation (Hong Kong) Disposal will be applied as general working capital of Tysan Group and where necessary, repayment of debt. It is therefore expected that the working capital position of Tysan Group will be improved.

Discussion

As further outlined in the letter from the Board, Mr. Victor Fung is credited with successfully establishing and growing the business over the course of over 19 years. In the context of the possible change in control of the Company arising from the Share Offer and the Company's intention of not giving up its foundation business, the Company considers it important to retain the services of Mr. Victor Fung following the close of the Share Offer, given his in-depth experience in the foundation industry and the key position he holds as a director of Tysan Foundation (Hong Kong). Through the Tysan Foundation (Hong Kong) Disposal, the Directors believe that Mr. Victor Fung will be incentivised to keep Tysan Foundation (Hong Kong) competitive and prosperous in its field, and to maintain its leading position in the foundation piling sector in Hong Kong. It is the intention of the Company to appoint Mr. Victor Fung the chief executive officer of the Company after the Closing Date.

As regards the Shareholders' Agreement, in order to retain the services of Mr. Victor Fung and given his role, we consider it reasonable to allow Fortunate Pool, which is wholly-owned by Mr. Victor Fung, to be responsible and have authority for the day-to-day operation of Tysan Foundation (Hong Kong). Major decisions such as approval of material contracts, mergers and change in business, must be approved by all shareholders. This and the other principal terms of the Shareholders' Agreement are, in our view, reasonable to the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also consider the continued provision of Guarantees and Indemnities by Tysan Group to be fair and reasonable, given the terms of the Deed of Counter-Indemnity to be provided by Fortunate Pool and Mr. Victor Fung and the likely difficulties of the Financial Institutions consenting to guarantees on a several and pro rata basis.

Based on the Foundation Valuation Report, the value of a 40.0% Equity Stake in Tysan Foundation (Hong Kong) is approximately HK\$153.8 million. Given the Foundation Consideration represents an approximately 2.1% premium to the Foundation Business Valuation, we consider the Foundation Consideration to be fair and reasonable to the Independent Shareholders.

The Tysan Foundation (Hong Kong) Disposal, taking into account the related Shareholders' Agreement, the Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities, is not in the usual course of business of the Company. Having taken into account the principal factors and reasons as set out above, we are of the view that the terms of the Tysan Foundation (Hong Kong) Disposal, taking into account the related Shareholders' Agreement, the Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and that the Tysan Foundation (Hong Kong) Disposal, taking into account the related Shareholders' Agreement, the Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities, is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. The Tysan Building Construction Disposal

Background of and reasons for the Tysan Building Construction Disposal

Tysan Building Construction is a company incorporated in Hong Kong with limited liability, 49.0% owned by the Company through its direct and wholly-owned subsidiary Tysan Construction, and 51.0% owned by Victor Create (a company owned by Mr. Victor Fung and Mr. Jackel Cheung). Tysan Building Construction and its subsidiaries are principally engaged in building and construction works. Tysan Building Construction has been accounted for as an associate of the Company in its consolidated financial statements.

As noted in the section headed "Reasons for and benefits of the Proposal", the Directors decided to divest non-controlling stakes in its non-core investments, including the Company's stake in Tysan Building Construction, as part of the strategic reorganisation of the Company's business lines with a view to focusing on the Group's principal businesses. This, in turn, led to the Director's belief that a better Share Offer could be negotiated. We consider the Company's strategy to balance its negotiation powers in relation to the Tysan Building Construction Disposal in the context of the Share Offer to be reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Key terms of the Tysan Building Construction Disposal

Subject matter

On 16 August 2013, Tysan Construction and Mr. Victor Fung entered into the Tysan Building Construction SPA, pursuant to which Tysan Construction has agreed to sell to Mr. Victor Fung its 49.0% equity interest in Tysan Building Construction and the interest-free shareholder's loan owing by Tysan Building Construction to Tysan Construction, at a total consideration of HK\$17,150,000 (the "**Building Construction Consideration**") (of which HK\$9,800,000 is attributed to 49.0% equity interest in Tysan Building Construction and HK\$7,350,000 is attributed to the abovementioned shareholder's loan), payable in cash upon completion. The Board considers the Building Construction Consideration was determined after arm's length negotiations between Tysan Construction and Mr. Victor Fung and is on normal commercial terms taking into account, inter alia, the operating and financial performance and the future prospects of the business of Tysan Building Construction and key personnel dependence. Mirroring the rationale set out in the section headed "The Great Prosper Acquisition — Evaluation of the consideration", for the purpose of evaluating the Building Construction Consideration we have treated the above shareholder's loan as part of the Equity Stake in Tysan Building Construction.

Conditions precedent

Completion of the Tysan Building Construction Disposal is conditional upon the satisfaction or waiver of the following conditions:

- (a) the consent of the Executive and the approval from the Independent Shareholders at the SGM having been obtained to proceed with the Tysan Building Disposal in accordance with the Takeovers Code;
- (b) the Company having obtained the approval of the Independent Shareholders at the SGM in respect of the Tysan Building Disposal in accordance with the Listing Rules;
- (c) all regulatory consents and authorisations of any Relevant Authorities having been obtained;
- (d) all mandatory consents from banks and/or third parties, if any, having been obtained;
- (e) no government action, court order or legal proceedings having been taken making the Tysan Building Disposal unlawful;
- (f) the representations and warranties remaining true and accurate in all material respects and are not misleading;
- (g) the Share Offer having become or being declared unconditional in all respects;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (h) the declaration and payment of a dividend to the shareholders of Tysan Building Construction equal to the sum of dividend and the repayment of the shareholder's loan that was received from Tysan Building Construction (China) which in turn was funded by the proceeds received from the Great Prosper Acquisition; and
- (i) all guarantees or indemnities given by the Company to Tysan Building Construction having been released.

In the event that any of the above conditions precedent are not satisfied (or, in the case of (c) or (d), waived by Mr. Victor Fung) on or before the Long Stop Date, the Tysan Building Construction SPA will lapse. As at the Latest Practicable Date, none of the above conditions precedent has been waived or fulfilled.

Subject to the satisfaction or waiver of the above conditions precedent, completion of the Tysan Building Construction Disposal shall take place on the tenth Business Day after the First Closing Date or such other date as the parties may agree in writing.

The effect of the Great Prosper Acquisition on the net asset value of Tysan Building Construction prior to completion of the Tysan Building Construction Disposal

As mentioned in the section above headed "The Great Prosper Acquisition", following completion of the Great Prosper Acquisition and before completion of the Tysan Building Construction Disposal, Tysan Building Construction (China) will distribute the proceeds from the Great Prosper Acquisition to Tysan Building Construction, and a dividend in the same amount will in turn be distributed by Tysan Building Construction to its shareholders. This will have the net effect of reducing the net asset value of Tysan Building Construction by approximately HK\$31.6 million, based on (i) an increase in net asset value due to the dividend income from Tysan Building Construction (China) as a result of the Great Prosper Acquisition of approximately HK\$97.8 million and (ii) a decrease in net asset value due to the dividend to be distributed to the shareholders of Tysan Building Construction, being Tysan Construction and Victor Create, of approximately HK\$129.4 million. Please note that that the actual change in the net asset value of Tysan Building Construction will depend on the financial position of Tysan Building Construction as at the completion date of Tysan Building Construction Disposal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial information on Tysan Building Construction

Set out below are the condensed financial statements of Tysan Building Construction for the three financial years ended 31 March 2011, 2012 and 2013, as extracted from the audited financial statements of Tysan Building Construction as provided by the Company:

Operating results

	For the year ended 31 March		
	2013	2012	2011
	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>
Revenue	452,186	192,116	141,175
Gross profit	18,975	9,097	11,863
<i>Gross profit %</i>	<i>4.2%</i>	<i>4.7%</i>	<i>8.4%</i>
Other income and gains	157	226	34
Administrative expenses	(8,146)	(6,146)	(6,273)
Other expenses	(189)	(191)	(12)
Finance costs	(67)	(364)	(103)
Profit before tax	10,730	2,622	5,509
Profit for the year	8,926	2,226	4,879

Financial year ended 31 March 2012 compared to financial year ended 31 March 2011

For the year ended 31 March 2012, Tysan Building Construction's revenue increased by approximately 36.0% to approximately HK\$192.1 million, from HK\$141.2 million the year before, due to the increase in contracts awarded. Gross profit decreased by 23.5% from approximately HK\$11.9 million to approximately HK\$9.1 million for the year ended 31 March 2012, because certain project costs provided in prior years have been confirmed to be recoverable from employers for work done in 2011 and therefore the gross profit for the year ended 31 March 2011 was improved.

Financial year ended 31 March 2013 compared to financial year ended 31 March 2012

Tysan Building Construction's revenue increased by approximately 135.4% to approximately HK\$452.2 million for the year ended 31 March 2013. This is due to the increase of work on hand, primarily from a construction project, which contributed to HK\$78.5 million and HK\$377.4 million for the year ended 31 March 2012 and 2013 respectively. Due to the same reason, gross profit and net profit of Tysan Building Construction for the year ended 31 March 2013 increased by approximately 108.6% and 301.0% respectively compared to the year before, to approximately HK\$19.0 million and HK\$8.9 million respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position

	As at 31 March		
	2013	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Loan to an investee	24,560	24,560	24,560
Other non-current assets	38	48	—
Total non-current assets	24,598	24,608	24,560
Trade receivables	73,530	40,552	32,189
Amount due to customers for contract works	41,093	18,014	34,096
Other current assets	6,283	891	1,405
Bank balances	6,540	42,187	27,899
Total current assets	127,446	101,644	95,589
Total assets	152,044	126,252	120,149
Trade payables, other payables and accruals	(84,359)	(47,339)	(53,971)
Other current liabilities	(3)	(21,278)	(680)
Tax payable	(1,574)	(453)	(542)
Total current liabilities	(85,936)	(69,070)	(55,193)
Loan from immediate holding company	(7,650)	(7,650)	(2,550)
Loan from a shareholder	(7,350)	(7,350)	(2,450)
Interest-bearing bank borrowings	—	—	(20,000)
Total non-current liabilities	(15,000)	(15,000)	(25,000)
Total liabilities	(100,936)	(84,070)	(80,193)
Net assets	51,108	42,182	39,956

As at 31 March 2013, Tysan Building Construction's assets mainly comprised of (i) trade receivables of approximately HK\$73.5 million; (ii) amount due from customers for contract works of approximately HK\$41.1 million; (iii) loan to Great Prosper of approximately HK\$24.6 million; and (iv) bank balances of approximately of HK\$6.5 million.

As at 31 March 2013, liabilities of Tysan Building Construction mainly comprised of (i) trade payables, other payables and accruals of approximately HK\$84.4 million; and (ii) borrowings of approximately HK\$15.0 million, which includes (a) a loan from Tysan Construction of approximately HK\$7.7 million and (b) a loan from Victor Create of approximately HK\$7.3 million.

Business valuation and evaluation of the consideration

For the purpose of evaluating the Building Construction Consideration of HK\$17,150,000, the Business Valuer has been engaged by the Company to assess the value of a 49.0% Equity Stake in Tysan Building Construction (the "**Building Construction Valuation Report**"). We have reviewed and discussed with the Company and the Business Valuer the qualifications, bases and assumptions

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

adopted by the Business Valuer in the course of its work and have satisfied ourselves that the qualifications, bases and assumptions have been made with due care and objectivity, and on a reasonable basis. We undertook reasonableness checks to assess the relevant experience and expertise of the Business Valuer and have satisfied ourselves that reliance could fairly be placed on its work. Further, we have interviewed the Business Valuer including as to its expertise and any current or prior relationships with Tysan Group, other parties to the transaction and connected persons of either Tysan Group or another party to the transaction; reviewed the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the Business Valuer's report, opinion or statement); and assessed whether representations made by Tysan Group or another party to the transaction are in accordance with our knowledge, as required under Listing Rule 13.80 Note 1(d). We have also performed a site visit to a Tysan Building Construction project site. The full text of the Building Construction Valuation Report is set out in Appendix III to the Circular, and Independent Shareholders are recommended to read it in full.

According to the Building Construction Valuation Report, the value of a 49.0% Equity Stake in Tysan Building Construction is approximately HK\$10.8 million as at 31 August 2013 (the "**Building Construction Business Valuation**") based on the research and analyses conducted by the Business Valuer. Based on the sensitivity analysis performed by the Business Valuer, the value of a 49.0% Equity Stake in Tysan Building Construction is in the range of approximately HK\$5.6 million to HK\$18.1 million as at 31 August 2013.

In the process of assessing the value of a 49.0% Equity Stake in Tysan Building Construction, the Business Valuer considered three valuation approaches, namely the cost approach, the income approach and the market approach. Similar to the case of the Foundation Business Valuation, the Business Valuer used the market approach for valuation purposes, which we consider reasonable. The Business Valuer has also determined the PER to be most appropriate in determining the value of Tysan Building Construction. For the same reasons as set out in the section headed "The Tysan Foundation (Hong Kong) Disposal — Business valuation and evaluation of the consideration", the above methodology and usage of PER is, in our opinion, reasonable.

The Business Valuer has identified seven comparable companies which (i) have in their latest financial year generated at least 75.0% of total revenue from construction services and (ii) are listed on the Stock Exchange with a reasonable length of listing history, i.e. at least two years. We consider the Business Valuer's selection criteria represent an appropriate approach to identify the comparable companies which are engaged in business that is similar to Tysan Building Construction. For comparison purposes, we have reviewed companies which are engaged in business that is similar to Tysan Building Construction, based on the same set of criteria as the Business Valuer. As such, we have identified the same set of comparable companies as the Business Valuer. Based on the above, we believe the Business Valuer's selection of comparable companies to be reasonable and exhaustive.

Similar to the case of the Foundation Business Valuation, the Business Valuer has, for the purpose of calculating the PERs, (i) chosen to consider 3-year average earnings, due to historically large fluctuations in the earnings performance of Tysan Building Construction; (ii) determined the price per share based on the 90-day average share price and (iii) applied a 33.0% marketability discount to its valuation of Tysan Building Construction. We consider the above bases for valuation

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to be reasonable, for the same reasons as set out in the section headed “The Tysan Foundation (Hong Kong) Disposal — Business valuation and evaluation of the consideration” and because we consider that there have been no significant changes in the operations of Tysan Building Construction in the last three financial years.

The Building Construction Consideration of HK\$17,150,000 represents a premium of approximately 58.8% to the Building Construction Business Valuation of approximately HK\$10.8 million.

Financial effects on Tysan Group

Earnings and net assets

Immediately upon completion of the Tysan Building Construction Disposal, Tysan Construction will cease to have any interest in Tysan Building Construction. Accordingly, the results of Tysan Building Construction will no longer be reflected in the Company’s consolidated financial statements.

Based on the carrying value of the interests in Tysan Building Construction, the Tysan Building Construction Disposal is expected to give rise to a loss attributable to Tysan Group of approximately HK\$3.2 million based on the financial position of Tysan Building Construction as at 31 March 2013, which we consider insignificant. The actual amount of loss will be determined as at the date of completion of the Tysan Building Construction Disposal.

Discussion

Taking into account the possible Share Offer, the Company has decided to restructure its interests in non-core businesses. This includes the disposal of the Company’s 49.0% interest in Tysan Building Construction, being conditional on the Share Offer becoming unconditional. Following the completion of the Tysan Building Construction Disposal, the Company will cease to have any interest in Tysan Building Construction and its subsidiaries and associates. We consider that the Tysan Building Construction Disposal contributes to divesting the Company’s interests in non-core investments, in line with the Board’s reorganisation plans in the context of the Share Offer.

The Building Construction Valuation Report considers the value of a 49.0% Equity Stake in Tysan Building Construction to be approximately HK\$10.8 million. The Building Construction Consideration represents an approximately 58.8% premium to the Building Construction Business Valuation. We consider the Building Construction Consideration to be fair and reasonable to the Independent Shareholders, given that the Company is disposing its 49.0% interest in Tysan Building Construction at a premium to the Building Construction Business Valuation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Tysan Building Construction Disposal is not in the usual course of business of the Company. Having taken into account the principal factors and reasons as set out above, we are of the view that the terms of the Tysan Building Construction Disposal are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and that the Tysan Building Construction Disposal is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Tysan Trading Disposal

Background of and reasons for of the Tysan Trading Disposal

Background of Tysan Trading

Tysan Trading is a limited liability company incorporated in Hong Kong in 1993. It is currently owned as to 40.0% by Tysan Investment (a direct wholly-owned subsidiary of the Company), 26.0% by Mr. Victor Fung, 24.0% by Miss Jennifer Kwok and 10.0% by Miss Miranda Ng, a member of the management of Tysan Trading. Tysan Trading and its subsidiaries are principally engaged in the trading and distribution of Japanese character merchandise in the PRC.

Distribution agreement

As advised by the management of Tysan Group, Tysan Trading operates mainly through a distribution agreement (the “**Distribution Agreement**”) with a Japanese company, and independent third party, which owns the intellectual property rights of certain Japanese character merchandise (the “**Licensor**”). Pursuant to the Distribution Agreement, Tysan Trading has been appointed as the sole and exclusive distributor of the Licensor in the PRC for the distribution of certain character merchandise products sourced from the Licensor.

Pursuant to the Distribution Agreement, the distribution term lasts for the period of 1 September 2004 to 28 February 2019. The Licensor shall have the right to terminate the Distribution Agreement without payment of indemnity or compensation to Tysan Trading by giving written notice in any of the following events:

- (i) Tysan Trading becomes insolvent, dissolves or has proceedings instituted to wind up its affairs or a proceeding is filed by or against it under any bankruptcy laws for its dissolution or liquidation;
- (ii) Tysan Trading commits any other breach of any terms of the Distribution Agreement and the same remains unremedied for a period of 90 days after the Licensor gives written notice thereof; and
- (iii) Miss Jennifer Kwok ceases to be a director of Tysan Trading.

As at the Latest Practicable Date, we have confirmed with Tysan Group that none of the above termination clauses have been triggered.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons for the Tysan Trading Disposal

As noted in the section headed “Reasons for and benefits of the Proposal”, the Directors decided to divest the Company’s non-controlling stakes in its non-core investments, including Tysan Trading, as part of the strategic reorganisation of the Company’s business lines with a view to focus on the Group’s principal businesses. This, in turn, led to the Director’s belief that a better Share Offer could be negotiated. We consider the Company’s strategy to balance its negotiation powers in relation to the Tysan Trading Disposal in the context of the Share Offer to be reasonable. We understand Tysan Group originally made the investment at the introduction of Miss Jennifer Kwok.

As noted above, the Licensor has the right to terminate the Distribution Agreement, inter alia, if Miss Jennifer Kwok ceases to be a director of Tysan Trading. The Licensor has stated that it will exercise the right of terminating the Distribution Agreement should Miss Jennifer Kwok cease to be a director of Tysan Trading. Under the circumstances of the possible Share Offer and a change in control, Miss Jennifer Kwok has stated her intention to resign within six months of the Unconditional Date from all her directorships of Tysan Group companies and its associates. If the Company had decided not to enter into the Tysan Trading Disposal, Tysan Trading would lose its right to sell merchandise under the Distribution Agreement, which is fundamental to Tysan Trading’s business.

In view of the likely impending cessation of the business of Tysan Trading, the Directors have decided to enter into the Tysan Trading Disposal.

Principal terms of the Tysan Trading Disposal

Subject matter

On 16 August 2013, Tysan Investment and Miss Jennifer Kwok entered into the Tysan Trading SPA, pursuant to which Tysan Investment has agreed to sell to Miss Jennifer Kwok the 40.0% equity interest in Tysan Trading and the interest-free shareholder’s loan owing by Tysan Trading to Tysan Investment, at a total consideration of HK\$4.4 million (the “**Trading Consideration**”), payable in cash upon completion. The Trading Consideration was determined after arm’s length negotiations between Tysan Investment and Miss Jennifer Kwok on normal commercial terms taking into account, inter alia, market risks, dependence on key personnel and the costs and impact of a shutdown of the business.

Conditions precedent

Completion of the Tysan Trading Disposal is conditional upon the satisfaction or waiver of the following conditions:

- (a) the consent of the Executive and the approval from the Independent Shareholders at the SGM having been obtained to proceed with the Tysan Trading Disposal in accordance with the Takeovers Code;
- (b) all regulatory consents and authorisations of any Relevant Authorities having been obtained;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) all mandatory consents from banks and/or third parties, if any, having been obtained;
- (d) no government action, court order or legal proceedings having been taken making the Tysan Trading Disposal unlawful;
- (e) the representations and warranties remaining true and accurate in all material respects and are not misleading;
- (f) the Share Offer having become or being declared unconditional in all respects; and
- (g) all guarantees or indemnities given by the Company to Tysan Trading having been released.

In the event that any of the above conditions precedent is not satisfied (or, in the case of (b), (c), (d) or (e), waived by Miss Jennifer Kwok) on or before the Long Stop Date, the Tysan Trading SPA will lapse. As at the Latest Practicable Date, none of the above conditions precedent has been waived or fulfilled.

Subject to the satisfaction or waiver of the above conditions precedent, completion of the Tysan Trading Disposal shall take place on the tenth Business Day after the First Closing Date or such other date as the parties may agree in writing.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial information of Tysan Trading

Set out below are the condensed financial statements of Tysan Trading for the three financial years ended 31 December 2010, 2011 and 2012, as extracted from the audited financial statements of Tysan Trading provided by the Company:

Operating results

	For the year ended 31 December		
	2012	2011	2010
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Revenue	58,831	59,555	43,640
Gross profit	29,771	32,016	25,499
<i>Gross profit %</i>	<i>50.6%</i>	<i>53.8%</i>	<i>58.4%</i>
Other income and gains	1,489	1,619	681
Selling expenses	(14,949)	(13,688)	(10,609)
Administrative expenses	(3,636)	(2,712)	(2,600)
Other expenses	(2,527)	(4,717)	(441)
Finance costs	(13)	(5)	—
Profit before tax	10,135	12,513	12,530
Profit for the year	7,069	7,683	9,584

For the years mentioned above, gross profit margins and net profits have declined in each year under review, with the net profit for the year ended 31 December 2012 declining to approximately HK\$7.1 million. For the reasons set out in the section headed “Reasons for the Tysan Trading Disposal” we do not consider Tysan Trading can be evaluated as an ongoing business from Tysan Group’s point of view following the expiry of six months after the Unconditional Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position

	As at 31 December	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Property, plant and equipment	293	378
Total non-current assets	293	378
Inventories	28,236	27,008
Trade receivables	1,085	1,737
Deposits, prepayments and other receivables	6,668	5,034
Cash and bank balances	4,822	13,701
Total Current assets	40,811	47,480
Total assets	41,104	47,858
Due to related companies	(100)	(1,001)
Trade payable and accruals	(5,231)	(17,156)
Deposits received, other payables and receipts in advance	(1,523)	(2,776)
Loan from shareholders	—	(900)
Interest-bearing bank borrowing	(2,787)	—
Tax payable	(514)	(2,399)
Current liabilities	(10,155)	(24,232)
Loans from shareholders	(2,000)	(2,000)
Non-current liabilities	(2,000)	(2,000)
Total liabilities	(12,155)	(26,232)
Net assets	28,949	21,626

As at 31 December 2012, Tysan Trading's assets mainly comprised inventories, including character merchandise, of approximately approximately HK\$28.2 million, representing approximately 68.6% of the total assets. The Directors consider that this merchandise would have to be substantially written off if the business of Tysan Trading does not continue and have estimated that in that case the value of a 100.0% Equity Stake in Tysan Trading would be approximately HK\$8.8 million, or approximately HK\$3.5 million attributed to Tysan Group's 40.0% Equity Stake.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial effects on earnings and net assets

Upon the completion of the Tysan Trading Disposal, the Company will cease to have any interest in Tysan Trading. Accordingly, Tysan Trading would no longer be accounted for in Tysan Group's consolidated financial statements following completion of the Tysan Trading Disposal.

Taking into account of the Trading Consideration of HK\$4.4 million, 40.0% of the consolidated net assets of Tysan Trading of approximately HK\$11.6 million as at 31 December 2012 and 40.0% of the shareholder's loan of HK\$0.8 million from Tysan Investment, a loss of approximately HK\$8.0 million is expected to be recognised in the consolidated income statement of Tysan Group following the completion of the Tysan Trading Disposal, which we consider not material when viewed in the context of the Company's profit attributable to Shareholders for the year ended 31 March 2013 of approximately HK\$348.5 million. The actual amount of loss will be determined as at the date of completion of the Tysan Trading Disposal.

Opinion

Having taken into account the principal factors and reasons as set out above, particularly the expected closure of the business within six months of the Unconditional Date and the estimated value of approximately HK\$3.5 million attributable to Tysan Group's 40% Equity Stake in Tysan Trading in those circumstances as mentioned above in the section headed "Financial information of Tysan Trading", we are of the view that the terms of the Tysan Trading Disposal are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and that the Tysan Trading Disposal is in the interests of the Company and the Shareholders as a whole.

6. The Management Incentives

Background of and reasons for the Management Incentives

Background of the Management Incentives

On 16 August 2013, Miss Jennifer Kwok's Service Agreement was entered into between a wholly-owned subsidiary of the Company, Tysan Management Limited ("**Tysan Management**") with Miss Jennifer Kwok, pursuant to which Tysan Management agreed to revise her current remuneration package for a period of up to six months after the Unconditional Date, as compensation for her service with the Company after the Unconditional Date.

Reasons for the Management Incentives

Given Miss Jennifer Kwok (i) is an Executive Director and has held directorships in subsidiaries of Tysan Group; (ii) has been working closely with the chairman and vice chairman of Tysan Group for years and thus is highly familiar with Tysan Group operations; and (iii) has been responsible for overseeing Tysan Group's corporate planning and development, corporate finance and investment strategies for many years, Miss Jennifer Kwok is likely to play a key role in the transitional period

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

following the Unconditional Date. For these reasons, it has been proposed that the remuneration package of Miss Jennifer Kwok will be revised, so as to serve as an incentive for her to remain with Tysan Group during a transitional period of up to six months after the Unconditional Date.

Principal terms of the Management Incentives

Pursuant to Miss Jennifer Kwok's Service Agreement, her remuneration package will be revised as follows:

- (i) the monthly salary shall be increased by 15.0% over the prevailing monthly salary as at the Unconditional Date for a period of up to six months after the Unconditional Date; and
- (ii) a contract-end bonus representing 115.0% of the amount of her bonus to be received from the Company for the calendar year ending 31 December 2013 will be payable pro-rated for a period of up to six months, from the Unconditional Date to the date of termination of her employment with the Company. The calculation of the contract-end bonus will be based on the following formula:

$(a/365) * b * 115.0\%$, where

a = amount of bonus Miss Jennifer Kwok will receive from the Company to reflect her performance for the calendar year ending 31 December 2013

b = number of days which elapse between (and including) the Unconditional Date and the last date of Miss Jennifer Kwok's employment with the Company

Basis of the remuneration package of Miss Jennifer Kwok

When determining the remuneration package of Miss Jennifer Kwok, Tysan Group in general first made reference to the duties and procedures as stated in the terms of reference of the remuneration committee of Tysan Group.

As advised by the management of Tysan Group, discretionary bonuses paid after the end of each calendar year are based on, inter alia, (i) performance of the division to which the individual belongs; (ii) individual performance and involvement in the past calendar year; (iii) market conditions and (iv) the overall performance and outlook of Tysan Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Evaluation of the Management Incentives

Historical figures of the remuneration package of Miss Jennifer Kwok

In assessing the Management Incentives, we have reviewed Miss Jennifer Kwok's historical remuneration package, including her monthly salary for the three financial years ended 31 March 2013 and discretionary bonuses payment for the three calendar years ended 31 December 2012.

Based on our review, the total remuneration package paid to Miss Jennifer Kwok in the past three financial years showed an annual growth rate of, on average, approximately 26.9% (the "**3-year Past Growth Rate**"), which is higher than the salary increase and bonus payment offered to Miss Jennifer Kwok under the Management Incentives.

Comparable analysis

For comparison purposes, we have identified and reviewed companies (the "**Management Incentives Comparable Companies**") which (i) are mainly engaged in the provision of construction services and (ii) are listed on the Stock Exchange. We consider (i) the above selection criteria represent an appropriate approach to identify the Management Incentives Comparable Companies which are engaged in business that is similar to Tysan Group, and (ii) the table below represents an exhaustive list of companies with the above criteria that we were able to identify from the Stock Exchange's website. We note that the Management Incentives Comparable Companies are the same as the ones referenced by the Foundation Valuation Report and the Building Construction Valuation Report. We have performed our analysis by making reference to the average annual growth rate of the aggregate of salary (including other benefits in kind) and performance bonus (the "**Remuneration**") paid for each executive director of the Management Incentives Comparable Companies for the most recent three financial years, as disclosed in the annual reports for each respective financial year. Set out below is the result of our research:

COMPARISON OF COMPARABLE COMPANIES

Companies	Financial years ended	% increase/ (decrease)
Baoye Group Company Limited (stock code : 2355)	31-Dec-10 vs. 31-Dec-09	0.2%
	31-Dec-11 vs. 31-Dec-10	24.0%
	31-Dec-12 vs. 31-Dec-11	(7.6%)
	Average annual growth rate	5.5%
Build King Holdings Limited (stock code : 240)	31-Dec-10 vs. 31-Dec-09	49.2%
	31-Dec-11 vs. 31-Dec-10	19.6%
	31-Dec-12 vs. 31-Dec-11	3.6%
	Average annual growth rate	24.1%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Companies	Financial years ended	% increase/ (decrease)
Chinney Alliance Group Limited (stock code : 385)	31-Dec-10 vs. 31-Dec-09	2.5%
	31-Dec-11 vs. 31-Dec-10	(1.8%)
	31-Dec-12 vs. 31-Dec-11	(16.5%)
	Average annual growth rate	(5.3%)
Hsin Chong Construction Group Ltd. (stock code : 404)	31-Dec-10 vs. 31-Dec-09	(24.4%)
	31-Dec-11 vs. 31-Dec-10	9.6%
	31-Dec-12 vs. 31-Dec-11	13.2%
	Average annual growth rate	(0.5%)
PVI Corporation Limited (stock code : 498)	31-Mar-11 vs. 31-Mar-10	259.5%
	31-Mar-12 vs. 31-Mar-11	(24.6%)
	31-Mar-13 vs. 31-Mar-12	(75.0%)
	Average annual growth rate	53.3%
Vantage International (Holdings) Limited (stock code : 15)	31-Mar-11 vs. 31-Mar-10	27.6%
	31-Mar-12 vs. 31-Mar-11	74.4%
	31-Mar-13 vs. 31-Mar-12	10.2%
	Average annual growth rate	37.4%
Yau Lee Holdings Limited (stock code : 406)	31-Mar-11 vs. 31-Mar-10	11.0%
	31-Mar-12 vs. 31-Mar-11	7.7%
	31-Mar-13 vs. 31-Mar-12	17.7%
	Average annual growth rate	12.1%
	Total average growth rate	18.1%
	Maximum	53.3%
	Minimum	(5.3%)

Note: Being the total salaries, fees and other benefits (including performance bonuses) for all executive directors serving the whole financial year divided by the number of executive directors serving the whole financial year, as extracted from the published annual reports for each respective financial year end.

As stated in the relevant annual reports for the financial years ended 31 March 2011, 2012 and 2013, respectively, PVI Corporation Limited has paid discretionary bonuses based on performance for the respective preceding two financial years. We consider it reasonable not to exclude any outliers from the above list of Management Incentives Comparable Companies, given that (i) due to our choice of selection criteria, we consider to be agnostic to the circumstances in which the Average Growth Rate (as defined below) was derived for each of the Management Incentives Comparable Companies, and (ii) the Average Growth Rate represents, in effect, the average of an average set of comparable figures.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Management Incentives Comparable Companies reflect the Average Growth Rates of the remuneration package paid for each executive director. In relation to the incentive goals to be achieved regarding the length of retention of executive directors by the remuneration packages offered, no specific information in this respect is conveyed per latest annual reports of the Management Incentives Comparable Companies. As such, we consider it reasonable to use the Management Incentives Comparable Companies for evaluating the remuneration package offered to Miss Jennifer Kwok.

The total average annual growth rate for the most recent three financial years paid to executive directors of the Management Incentives Comparable Companies was approximately 18.1% (the “**Average Growth Rate**”). The 15.0% upward revision of the remuneration package offered to Miss Jennifer Kwok is lower than the Average Growth Rate, and is within the range of the average annual growth rate of the Management Incentives Comparable Companies, with a maximum and minimum of 53.3% and -5.3% respectively. The 15.0% upward revision of the remuneration package under Miss Jennifer Kwok’s Service Agreement is lower than 3-year Past Growth Rate.

Discussion

The revision of the remuneration package of Miss Jennifer Kwok serves as an incentive for her to stay with Tysan Group during the transitional period following the Unconditional Date. In evaluating the Management Incentives, we have made reference to the historical trend of Miss Jennifer Kwok’s remuneration package and also made a comparison with the remuneration packages offered to the executive directors of the Management Incentives Comparable Companies. Taken together, we consider the 15.0% upward revision as provided under the Management Incentives to be fair and reasonable.

Having taken into account the principal factors and reasons as set out above, we are of the view that the terms of the Management Incentives are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and that the Management Incentives are in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

The Great Prosper Acquisition, the Tysan Foundation (Hong Kong) Disposal (and the related Shareholders’ Agreement, the Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities) and the Tysan Building Construction Disposal are not in the usual course of business of the Company. Based on the above principal factors and reasons, we consider the terms of each of the Great Prosper Acquisition, the Tysan Foundation (Hong Kong) Disposal (and the related Shareholders’ Agreement, the Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities), the Tysan Building Construction Disposal, the Tysan Trading Disposal and the Management Incentives to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. We further consider the Great Prosper Acquisition, the Tysan Foundation (Hong Kong) Disposal (and the related Shareholders’ Agreement, the Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities) and the Tysan Building Construction Disposal to be on normal commercial terms. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders to vote in favour of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ordinary resolutions to be proposed at the SGM in relation to the Great Prosper Acquisition, the Tysan Foundation (Hong Kong) Disposal (and the related Shareholders' Agreement, the Deed of Counter-Indemnity and the continued provision of the Guarantees and Indemnities), the Tysan Building Construction Disposal, the Tysan Trading Disposal and the Management Incentives.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman

1. STATEMENT OF INDEBTEDNESS

As at 30 September 2013, being the latest practicable date for the purpose of preparation of this statement, Tysan Group had bank and other borrowings amounting to approximately HK\$788.69 million and HK\$31.56 million, respectively, details of which are as follows:

Borrowings

The following table illustrates Tysan Group's indebtedness as at 30 September 2013:

	<i>HK\$'000</i>
Bank borrowings	
<i>Current</i>	
Bank loans, unsecured	140,641
Bank loans, secured	16,762
Instalment loans, secured	<u>4,232</u>
	<u>161,635</u>
<i>Non-current</i>	
Bank loans, unsecured	538,708
Instalment loans, secured	<u>88,345</u>
	<u>627,053</u>
Total	<u><u>788,688</u></u>
Other borrowing	
<i>Non-current</i>	
Loan from an associate	<u><u>31,560</u></u>

Within Tysan Group's current bank borrowings in the amount of approximately HK\$12.81 million containing a repayment on demand clause are included. Based on the maturity terms of the bank borrowings, the amount repayable within one year or on demand as at 30 September 2013 is approximately HK\$148.83 million.

As at 30 September 2013, Tysan Group's bank borrowings were secured by certain of Tysan Group's land and buildings, equipment and machinery and investment properties with carrying amounts of approximately HK\$194.34 million, HK\$10.18 million and HK\$22.53 million, respectively. All bank borrowings were supported by corporate guarantees from the Company and subsidiaries of the Company, respectively.

The loan from an associate, Tysan Building Construction (China), is unsecured, interest-free and will not be repayable within 12 months from 30 September 2013.

Contingent liabilities

As at 30 September 2013, Tysan Group has provided guarantees to certain banks in respect of performance bonds of granted to subsidiaries and an associate, Tysan Building Construction, of approximately HK\$494.92 million and HK\$36.96 million, respectively. As at 30 September 2013, Tysan Group also provided guarantees to certain banks in connection with general credit facilities to its associates, Tysan Building Construction and Tysan Trading, in an aggregate amount of approximately HK\$51.28 million.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, Tysan 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 30 September 2013.

2. WORKING CAPITAL

The Directors are of the opinion that, taking into consideration of Tysan Group's internal resources, cash flow from operations, banking facilities available to Tysan Group, the completion of the Great Prosper Acquisition, the Tysan Foundation (Hong Kong) Disposal, the entering into the related Shareholders Agreement and the continuing provision of the Guarantees and Indemnities, the Tysan Building Construction Disposal and the Tysan Trading Disposal, the working capital available to Tysan Group is sufficient for the requirements of Tysan Group for at least twelve months from the date of this circular.

3. BUSINESS TREND, FINANCIAL AND TRADING PROSPECTS**Hong Kong Market**

In the fiscal year 2013-14, the government's capital spending on infrastructure will reach HK\$70 billion. Major infrastructure projects being undertaken or planned include a new metro line (Shatin to Central Link) and road projects (Central to Wan Chai Bypass, Island Eastern Corridor Link, Tuen Mun to Chek Lap Kok Link). Tysan Group thus expects the outlook of the foundation industry will continue to be positive.

Foundation Piling

The turnover of Tysan Group's foundation division increased by 31% to approximately HK\$2,896 million for the year ended 31 March 2013. However, due to increased competition, rising costs and unexpected delay in some projects, the net contribution decreased by 66% to approximately HK\$80 million as compared to approximately HK\$236 million for the year ended 31 March 2012. Tysan Group's major contracts on hand include, inter alia, the Wynn project in Cotai Macau, Hong Kong Housing Authority's project in Tuen Mun Area 54, Wheelock's project in Hung Luen Road and Shangri-la's project in Kowloon.

Other Construction Related Sectors

During the year ended 31 March 2013, turnover of Tysan Group's electrical and mechanical engineering division was approximately HK\$53 million but due to rising costs and write-offs, the division incurred a loss of approximately HK\$3 million. Tysan Group expects the division to become breakeven in the coming year.

The machinery leasing and trading division's turnover increased from approximately HK\$23 million to approximately HK\$32 million for the year ended 31 March 2013 and managed to make a turnaround with net contribution of over HK\$1 million. Tysan Group expects the division's turnover to continue to increase and yield stable returns.

Disposal of Office Premises

On 7 December 2011, Tysan Group entered into a sale and purchase agreement to sell its office located at 11th Floor, Harbour Centre, 25 Harbour Road, Hong Kong for a consideration of HK\$315 million. The sale was completed on 31 May 2012 and a profit of approximately HK\$192 million was recorded in the financial period ended 31 March 2013. Such disposal improves Tysan Group's working capital and strengthens the overall financial position of Tysan Group.

PRC Market

Shanghai, Tianjin and Shenyang, the three cities where Tysan Group's property projects are located, continue to rank as the highest growth cities in China. In 2012, China's GDP grew approximately 7.8% to over RMB51,932 billion (approximately HK\$65,642.05 billion) with a per capita GDP of RMB38,354 (approximately HK\$48,479.46). Shanghai recorded a GDP growth of approximately 7.5% to approximately RMB2,010 billion (approximately HK\$2,540.64 billion) with a per capita GDP of RMB85,000 (approximately HK\$107,440). Tianjin experienced a GDP growth of approximately 13.8% to approximately RMB1,289 billion (approximately HK\$1,629.30 billion) with a per capita GDP of RMB91,181 (approximately HK\$115,252.78) while Shenyang achieved a GDP growth of approximately 10.0% to approximately RMB661 billion (approximately HK\$835.50 billion) with a per capita GDP of RMB80,532 (approximately HK\$101,792.45) in 2012.

Property Development*The Waterfront*

For the year ended 31 March 2013, Tysan Group's residential project in Shanghai, The Waterfront, recognized sales revenue of approximately HK\$224 million as compared to approximately HK\$62 million in the previous year while contribution to profit was approximately HK\$140 million. With new round of tightening policies, market sentiment is expected to remain cautious and conservative. However, Tysan Group believes that the price of the project will remain solid.

The Tianjin Riverside Project

Tysan Group's residential project in Tianjin, The Riverside, comprises 6 towers with a total gross floor area ("GFA") of approximately 77,084.18 sqm. With the existing property market environment, the sale performance of the project was considered satisfactory. Handover of units commenced in the later half of 2012 and for the year ended 31 March 2013, revenues of approximately HK\$535 million were recognized while contribution to profit amounted to approximately HK\$199 million. With emphasis on high quality and unique design, Tysan Group is positive on the sales of the remaining units.

Shenyang Project

The site in Shenyang is located at Huanggu District with a site area of approximately 41,340 sqm and a GFA of approximately 165,000 sqm, comprising both residential and commercial development. As planned, foundation works have commenced.

Property Investment and Management

Tysan Group's investment properties in Shanghai have continued to enjoy steady recurrent income and satisfactory occupancy rates. Turnover of the property investment division during the year ended 31 March 2013 was approximately HK\$25 million while the overall valuation increased by approximately HK\$31 million. In order to achieve higher returns, Tysan Group will undertake renovation works to enhance the quality of China Garden. The renovation program will be conducted in phases and is expected to complete in 2015.

Prospects

The global economy is on shaky ground with a small rebound in the US in the beginning of the year which appears to have faded. With so many parts of the world economy performing below expectations, China's economic outlook is still relatively promising. Although the days of double-digit growth in China are over, the new leadership's direction to restructure the economy towards domestic consumption is encouraging as it will lead China to a more sustainable growth.

Tysan Group expects the foundation industry will continue to be stable in the coming year due to commencement of piling works for major infrastructure projects in Hong Kong (which include HK-Macau-Zhuhai bridge and MTR Shatin Central Link) and casino related projects in Macau (which include Wynn Phase 2, Venetian Parcel 3 and MGM Cotai). However, Tysan Group also expects increased competition and escalating costs but is prepared and equipped to face such challenges and market uncertainties ahead.

With a rebound in China's home prices in the first quarter of 2013, the central government unveiled a fresh round of measures in March 2013 to cool the property sector. The residential market will be suppressed in the short run but Tysan Group believes such measures are vital for healthy growth in the long run. Tysan Group believes it is well positioned in the China property market as it has projects in different stages of completion, an experienced management team and sufficient cash to capture opportunities readily.

All in all, Tysan Group will adopt a prudent investment and financing strategy and will continue to strive for improvement, strengthen its operational efficiency and look for opportunities to maximize the interests of the shareholders.

Set out below is some more information on Tysan Group's main business segments, being that of foundation and property development. Certain business trends, business development plans and strategies and allocation of resources are described.

Foundation Business

Tysan Group's business strategy is to continue to be the leader in the foundation industry in Hong Kong and Macau. With continuity of management and their leadership, Tysan Group expects to maintain its established market position and will continue to expand its business based on long term client relationship and successful track records.

In general, Tysan Group spends about HK\$40 to 50 million per year for purchase of plants and accessories and major plant upgrade. Management will assess the market outlook from time to time before deciding on actual annual expenditure and investment.

The market for the foundation business for the financial year ending 31 March 2014 should continue to be stable. However, Tysan Group expects competition will become more intense in the coming years as overall plant capacity in Hong Kong has largely increased as a result of the boom in the foundation market for the past 3 years. In addition, with most of the casino resorts completing this year, more plant capacity will be added to the Hong Kong market. Tysan Group therefore expects to face a very competitive market but is confident that with its established market position and management expertise, it will be able to maintain and utilize its competitive advantages.

Property Development Business

Tysan Group will continue to sell its residential units in The Waterfront and The Riverside and expect the two projects to continue to bring in profit for Tysan Group. For the development project in Shenyang, construction has begun and pre-sales launch is expected during the financial year ending 31 March 2015. In the meantime, Tysan Group will continue to seek new project opportunities in China.

Resources to be allocated for new property development projects will depend on Tysan Group's financing capabilities and cash flow position at the relevant time.

The China government continues its austerity measures on the property market which Tysan Group believes is healthy for the long term development of the real estate market. Tysan Group remains cautiously positive on the overall outlook of the China property market as the Chinese economy continues to grow and prosper and will continue to seek new project opportunities in China.

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in the circular, received from Vigers Appraisal and Consulting Limited, an independent property valuer, in connection with its opinion of values of the property interest to be acquired by Tysan Group as at 31 August 2013.



25 November 2013

The Directors
Tysan Holdings Limited
20th Floor of One Island South
No. 2 Heung Yip Road
Wong Chuk Hang
Hong Kong

Dear Sirs,

***Re: Valuation of the unsold portion of The Riverside (泰悦豪庭)
(a self-contained residential estate) located at the junction of Qiongzhou Road and Taierzhuang Road amid Hexi District, Tianjin located in the People's Republic of China (the "Property")***

In accordance with your instructions for us to value the Property located in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 August 2013 ("the Date of Valuation") for public circular purposes.

Our valuation is our opinion of the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the Property, which is held under development and for future sale (lease) in the PRC, on the basis that the Property will be developed and completed in accordance with the latest development proposals provided to us. We have assumed that approvals for the development proposals will be granted without onerous conditions. In arriving at our opinion of value, we have valued it using the Direct Comparison Approach by making reference to comparable market transactions in the locality. We have valued the car parking bays and clubhouse using the Direct Comparison Approach

and we have also taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development. The “Capital Value when Completed” represents our opinion of the aggregate selling prices of the saleable units of the development assuming that it would have been completed as at the date of valuation.

In the course of our valuation, we have not caused title searches to be made for the property interest at the relevant land registry. However, we have been provided with extracts of title documents relating to the Property. We have not, however, searched the original documents to verify ownership or to verify the existence of any lease amendments which do not appear on the copies handed to us. We have relied on the legal opinion (the “PRC legal opinion”) provided by Dacheng Law Offices, the PRC legal adviser to Tysan Holdings Limited (the “Company”). All documents and leases have been used for reference only. All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by you and therefore are only approximations.

Furthermore, we have relied to a considerable extent on information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, site and floor areas and other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material facts have been concealed or omitted from the information supplied, and have no reason to suspect that any material information has been withheld. We consider that we have been provided with sufficient information to reach an informed view.

In the course of our valuation, we have assumed that all consents, approvals and licences from relevant PRC government authorities for development of the Property have been granted without any onerous conditions or undue delay.

We confirmed that we have inspected the Property. However, we have not carried out investigations on site to determine the suitability of the ground conditions and services for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site area of the Property and we have assumed that the areas shown on the documents handed to us are correct.

Our valuation has been made on the assumption that the owner sells the Property on the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the Property. Furthermore, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property and no forced sale situation in any manner is assumed in our valuation.

In valuing the Property, we have assumed the Purchaser has free and uninterrupted rights to use, occupy, development or assign the Property for the whole of the unexpired term as granted.

In valuing the Property, we have complied with all the requirements set out in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors (“HKIS”) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) issued by the Stock Exchange.

The Company intends to dispose of portions of the property interests. Should disposal of the property interests located in the PRC be conducted, the tax liabilities arising will include business tax (5% on the transaction amount), urban maintenance and construction tax (7% on the business tax), flood prevention charge (1% on the business tax), educational surtax and surcharge (5% on the business tax), corporation income tax (25% on net profit upon disposal); stamp duty (0.05% on transaction amount) and land appreciation tax (the applicable rate is ranging from 30% to 60% on the net appreciated amount less deductibles).

In valuing the Property, we have taken into account of business tax, urban maintenance and construction tax, flood prevention charge and educational surtax and surcharge totaling 5.65%, other than that no allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Unless otherwise stated, all monetary amounts stated are in Renminbi (RMB).

We enclosed herewith our valuation certificate.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com) has over twenty five years' experience in undertaking valuations of properties in Hong Kong and has over twenty two years' experience in valuations of properties in the PRC, Macau, Taiwan and Asia-Pacific region.

VALUATION CERTIFICATE

Property interests held by the Group under development and for sale (lease) in the PRC.

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 August 2013	Assuming title certificates of the whole property have been obtained and the registered owners of the whole property including the units which were sold but have not yet been handed over to purchasers are										
				Tysan Tianjin, the Market Value as at 31 August 2013										
The unsold portion of The Riverside (泰悦豪庭) (a self-contained residential estate) located at the junction of Qiongzhou Road and Taierzhuang Road amid Hexi District, Tianjin, the PRC	<p>The development is erected on a site with area of approximately 15,160 sq.m. located at the junction of Qiongzhou Road and Taierzhuang Road amid Hexi District. The site lies along the shore of Hai River enjoying a panorama river view.</p> <p>The development is planned to be developed into a self-contained residential estate consisting a total of six blocks of 26 to 28-storey residential towers. The gross floor area of the proposed development upon completion will be approximately as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Gross Floor Area</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>73,138.7 sq.m.</td> </tr> <tr> <td>Commercial</td> <td>1,845.59 sq.m.</td> </tr> <tr> <td>Ancillary Clubhouse</td> <td>2,099.89 sq.m.</td> </tr> <tr> <td>Total</td> <td>77,084.18 sq.m.</td> </tr> </tbody> </table> <p>The Property comprises 302 residential units with gross floor area of approximate 48,026.69 sq.m., shops with gross floor area of approximate 1,845.59 sq.m., a clubhouse with gross floor area of approximate 2,099.89 sq.m. and 295 underground car parks.</p> <p>The whole development was completed in mid-2012 with Blocks 1, 2 and 6 in fitting out condition and Blocks 3, 5 and 7 without fitting out.</p> <p>The land use rights of the Property have been granted for a term of 70 years expiring on 30 April 2074 for residential use.</p>	Use	Gross Floor Area	Residential	73,138.7 sq.m.	Commercial	1,845.59 sq.m.	Ancillary Clubhouse	2,099.89 sq.m.	Total	77,084.18 sq.m.	<p>The whole development was completed in mid-2012 with Blocks 1, 2 and 6 in fitting out condition and Blocks 3, 5 and 7 without fitting out.</p> <p>The fitting out works of Block 7 is planned to be completed at the end of November 2013, whilst the fitting out works of Block 3 and 5 is planned to be commenced by the end of 2013 and to be completed in the 3rd quarter of 2014.</p> <p>Some residential units were handed over and occupied.</p>	RMB651,400,000	RMB1,187,900,000
Use	Gross Floor Area													
Residential	73,138.7 sq.m.													
Commercial	1,845.59 sq.m.													
Ancillary Clubhouse	2,099.89 sq.m.													
Total	77,084.18 sq.m.													
			(Refer to Notes 14, 15 and 16 below)	(Refer to Notes 14, 15 and 16 below)										

Notes:

1. The company which owns the land use rights is 天津泰昇房地產開發有限公司 (Tianjin Tysan Property Development Company Limited). In 2005, this company changed its name to 泰昇房地產開發(天津)有限公司 (Tysan Property Development (Tianjin) Company Limited). In this valuation, such company is referred to as "Tysan Tianjin". Tysan Tianjin is a wholly-owned subsidiary of Great Prosper Limited which, in turn, is owned as to 80% by the Company.
2. Pursuant to a Contract for Grant of State-owned Land Use Rights together with its Conditions of Land Use (referred hereinafter together as the "Contract") entered into between 天津市規劃和國土資源局 (Tianjin Planning and State-owned Land Resources Bureau, referred hereinafter as the "Grantor") and Tysan Tianjin on 30 March 2004, the Grantor has agreed to grant the land use rights of the Property with a total site area of approximately 15,160 sq.m. to Tysan Tianjin for a term of 70 years commencing from the date of issuance of State-owned Land Use Right Certificate for residential use at a total land premium of RMB158,876,800 and among which the land grant fee is RMB8,148,500. The Contract contains, inter-alia, the following salient conditions:
 - (a) Permitted Land Use : Residential Use
 - (b) Plot Ratio : Not larger than 5
 - (c) Site Coverage : Not larger than 30%
 - (d) Green Area Ratio : Not less than 35%
 - (e) Ingress and Egress : Along Qiongzhou Road
 - (f) Disposal Clause : Tysan Tianjin should follow conditions set out in the Contract to develop the land and could only transfer or lease portion or whole of the land use rights of the property with the residue terms of the land use rights when the investment of the project exceeds 25% of the total investment amount (excluding the land grant fee). However, the land use rights can be mortgaged on the condition that the mortgage loan must be used for paying out the construction costs during the construction period stated in the Contract.
3. Pursuant to a State-owned Land Use Right Certificate (Document No.: 西單國用(2006)第087號) dated 6 July 2006 issued by the People's Government of Tianjin City, the Property with a total site area of approximately 15,160 sq.m. and Lot No.: 0606-(05)-001-01 is vested in Tysan Tianjin for a term expiring on 30 April 2074 for residential use. This Stated-owned Land Use Right Certificate is valid through to 26 March 2012 and should be renewed after the quality approval at its Completion. However, based on the legal opinion referred to in Note 21(ix) below, the land use rights are still valid and land use right on the part of unsold units is still owned by Tysan Tianjin.
4. According to a Construction Land Planning Permit (Document No. 2004 津地證字0131號) dated 19 June 2006 issued to Tysan Tianjin, the total site area for construction of the development project named Liu Zhuang Four Phases (劉莊四期) located at the junction of Qiongzhou Road and Taierzhuang Road is approximately 15,160 sq.m.
5. According to a Construction Work Planning Permit dated 27 August 2005 issued by Tianjin Town Planning Bureau in favor of Tysan Tianjin, the total development scale for the development project named Liu Zhuang Four Phases (劉莊四期) located at the junction of Qiongzhou Road and Jiefang Nan Road is in the sum of 75,800 sq.m.
6. According to a Construction Commencement Permit dated 11 May 2006 issued by Tianjin Hexi District Construction and Management Committee in favor of Tysan Tianjin, the development project named Liu Zhuang Four Phases (劉莊四期) located at the junction of Qiongzhou Road and Taierzhuang Road is permitted to commence the construction work with a construction scale of approximately 88,048 sq.m.
7. Pursuant to a Tianjin Official Name Certificate (Document No. 1444) dated 29 June 2006 issued by Tianjin City Planning Bureau, the official name of the Property is "The Riverside (泰悅豪庭)".

8. Pursuant to 7 Reports of Quality Approval at its Completion (建設工程竣工驗收備案書) issued by Tianjin Hexi District Construction and Management Committee on 26 September 2012, the construction works of Blocks 1, 2, 3, 5, 6 and 7 and the underground car parks of the Property comprising the following gross floor area have been completed:

Building Name	Document No.	Gross Floor Area (sq.m.)
Block 1	(河西)備字2012第010號	12,525.05
Block 2	(河西)備字2012第011號	12,618.78
Block 3	(河西)備字2012第012號	12,570.48
Block 5	(河西)備字2012第013號	12,426
Block 6	(河西)備字2012第014號	13,963.35
Block 7	(河西)備字2012第015號	<u>15,282.16</u>
Sub-total		<u>79,385.82</u>
Underground Car Parks	(河西)備字2012第016號	<u>10,656.59</u>
Sub-total		<u>10,656.59</u>
Total		<u><u>90,042.41</u></u>

9. Pursuant to the Tianjin Commodity House Pre-sale Permit (Document No. 津國土房售許字(2010)第669-001號) issued by Tianjin Municipal Bureau of Land and Resources and Housing Administration (the "Bureau") on 25 November 2010, the pre-sale of Block 1 of the Property comprising residential units with a total gross floor area of approximately 12,151.75 sq.m. is permitted.
10. Pursuant to the Tianjin Commodity House Pre-sale Permit (Document No. 津國土房售許字(2010)第669-002號) issued by the Bureau on 25 November 2010, the pre-sale of Blocks 6 and 7 of the Property comprising residential and commercial units with a total gross floor area of approximately 28,352.31 sq.m. is permitted.
11. Pursuant to the Tianjin Commodity House Pre-sale Permit (Document No. 津國土房售許字(2011)第475-001號) issued by the Bureau on 1 August 2011, the pre-sale of Block 2 of the Property comprising residential units with a total gross floor area of approximately 12,183.08 sq.m. is permitted.
12. In the course of our valuation, we have only valued the unsold portion and the sold portion which has not yet been handed over to individual purchasers, which include the following:
- (a) 302 residential units with a total gross floor area of approximately 48,026.69 sq.m.;
 - (b) Commercial units with a total gross floor area of approximately 1,845.59 sq.m.;
 - (c) The clubhouse with a total gross floor area of approximately 2,099.89 sq.m.; and
 - (d) The underground car parks with 295 car parking spaces.

We have not included the market values of those residential units that were sold and handed over to individual purchasers in our valuation.

13. The market value of sold units which have not yet been handed over to individual purchasers consists of 48 residential units with total gross floor area of 6,752.15 sq.m. as at the Date of Valuation was RMB154,300,000.

14. The building ownership certificates of certain residential units in Blocks 1, 2, 6 and 7 with gross floor area of approximately 24,534.06 sq.m., certain commercial units with gross floor area of approximately 1,281.57 sq.m. and 295 car park bays are vested in Tysan Tianjin and their market value as at the Date of Valuation was RMB651,400,000.
15. The building ownership certificates of the whole of Blocks 3 and 5 have not yet been obtained, therefore they cannot be legally transferred, leased and mortgaged in the open market as at the Date of Valuation and we have attributed no commercial value to them. For reference purposes, assuming that the building ownership certificates have been obtained for the whole of Blocks 3 and 5 as at the Date of Valuation and they could be legally transferred, leased and mortgaged, the market value of the commercial portion of Blocks 3 and 5 with gross floor area of approximately 564.02 sq.m. was RMB17,000,000, the market value of the residential portion of Blocks 3 and 5 with gross floor area of approximately 21,739.62 sq.m. was RMB429,100,000 and the clubhouse located in Blocks 3 and 5 with gross floor area of approximately 2,099.89 sq.m. was RMB52,000,000.
16. In respect of such units in Blocks 1, 2, 6 and 7 which were sold but have not yet been handed over to individual purchasers, the pre-sale contracts of these units have been registered with the government and it is the government's policy that no building ownership certificate for these units will be issued to Tysan Tianjin. Consequently, we have attributed no commercial value to these units. Since two units in Block 7 were pre-sold but have not yet been handed over to individual purchasers and we could not confirm that Tysan Tianjin was the registered owner stated in such building ownership certificates, we have attributed no commercial value to them. For reference purposes, assuming that the above mentioned units in Blocks 1, 2, 6 and 7 with gross floor area of approximately 1,753.01 sq.m. which were sold but have not yet been handed over to individual purchasers were vested in Tysan Tianjin as at the Date of Valuation, the market value was RMB38,400,000.
17. According to the development proposal and information given, the estimated total construction costs (excluding land costs) for developing the Property as at the Date of Valuation was in the sum of RMB923,449,954 and the outstanding construction costs that will be expended to complete the development was approximately RMB98,667,757 as at the Date of Valuation. In the course of our valuation, we have taken into account the said construction costs.
18. Based on the total gross floor area that is permitted to be sold in the future, the capital value of the proposed development, when completed, is approximately RMB1,317,880,373.
19. As advised by the Company, the Property is not subject to any mortgage.
20. In undertaking our valuation we have adopted the following assumptions:
 - (i) the Property can be freely transferable to any third party in the market with the residual terms of the land use rights at no extra land premium or other onerous payment payable to any governmental authorities;
 - (ii) all consents, approvals and licences from relevant government authorities for development of the Property will be granted without any onerous conditions or undue delay;
 - (iii) the proposed development is in compliance with the development conditions and covenants stipulated in the land grant documents and the State-owned Land Use Right Certificate; and
 - (iv) the land premium and other costs of ancillary utility services for the subject Property has been fully paid and there is no need to pay any resettlement and ancillary utilities costs in relation to this project.
21. The PRC legal opinion states, inter alia, the following:
 - (i) The Riverside, with the exception of the sold units, are legally owned by Tysan Tianjin and are free from all charges and encumbrances.

- (ii) The units which were sold but have not yet been legally transferred are legally owned by Tysan Tianjin, but they are not free of charges or encumbrances because of the registration of the sales contracts of such units by Tianjin Municipal Bureau of Land and Resources and Housing Administration (天津市國土資源和房屋管理局).
 - (iii) Tysan Tianjin shall have the right to sell and mortgage the unsold units.
 - (iv) The clubhouse is legally owned by Tysan Tianjin and Tysan Tianjin can legally use the clubhouse to generate revenue.
 - (v) The car parks are legally owned by Tysan Tianjin and Tysan Tianjin shall have the right to lease them up to 20 years.
 - (vi) The commercial portion is legally owned by Tysan Tianjin.
 - (vii) The land premium of Tysan Tianjin has been fully settled.
 - (viii) There is no legal impediment in acquiring the Tianjin Property Right Certificates (房地產權證) and the Commercial Housing Sales Permits (商品房銷售許可證) for the clubhouse, commercial units/shops and the residential units of Blocks 3 and 5.
 - (ix) The officer of Tianjin Municipal Bureau of Land and Resources and Housing Administration (天津市國土資源和房屋管理局) stated that the State-owned Land Use Certificate (國有土地使用證) will not be renewed after the issue of Completion of the Construction Work Certificates (建設工程竣工驗收備案書). Since the date of validity of State-owned Land Use Certificate (國有土地使用證) is 26 March 2012 and expiration date of land use right is 30 April 2074, the State-owned Land Use Certificate (國有土地使用證) is invalid and cannot be renewed, but the land use right is still valid and land use right on the part of unsold units is still owned by Tysan Tianjin.
22. The property was inspected by Mr. Jim Wang, Valuer on 5 July 2013.

The following is the text of business valuation reports of Tysan Foundation (Hong Kong) and Tysan Building Construction prepared by Censere (Far East) Limited, an independent business valuer for the purpose of incorporation in the circular.

Censere

Appraise — Assist — Advise

25 November 2013

The Board of Directors
Tysan Holdings Limited

20/F, One Island South,
2 Heung Yip Road,
Wong Chuk Hang,
Hong Kong

Ref: T00029-1-r1

Dear Sir/Madam,

RE: VALUATION OF THE 40% EQUITY STAKE IN TYSAN FOUNDATION (HONG KONG) LIMITED

In accordance with your instructions, we have undertaken an investigation and analysis to determine the 40% equity stake in Tysan Foundation (Hong Kong) Limited (hereafter referred to as “Tysan Foundation” or the “Company”). We confirm that we have made relevant enquiries and obtained other information we considered necessary for the purpose of providing you with our opinion of the market value of the equity as at 31st August 2013 (hereafter referred to as the “Valuation Date”).

This report outlines the factors considered and, methodologies and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

1. PURPOSE OF VALUATION

This report has been prepared solely for Tysan Holdings Limited (hereafter referred to as “Tysan Holdings” or “Vendor”). Tysan Holdings is a public company listed on the Main Board of the Stock Exchange of Hong Kong (Stock Code: 687.HK). Tysan Holdings owns 100% equity in Tysan Foundation (Hong Kong) Limited (hereafter referred to as “Company”). On 19th August 2013, Fortunate Pool Limited (a company wholly-owned by Mr. Victor Fung, hereafter referred to as “Fortunate Pool”) has agreed to purchase, and the Vendor has agreed to dispose of, a 40% equity stake (which includes equity and shareholder loans) of the Company. We, Censere (Far East) Limited (hereafter referred to as “Censere”), have been appointed to conduct a valuation of the 40% equity stake of the Company.

As the disposal constitutes a major and connected transaction, Censere acknowledges that this report may be made available to the Company for public documentation purposes, and may be included in Tysan Holdings' circular only, but is not intended for any other purpose without our prior written consent.

Censere has assumed no responsibility or liability for any losses incurred by you or any third party as a result of unauthorized circulation, publication or reproduction of this report in any form and/or if used contrary to the purpose stated therein.

2. SCOPE OF WORK

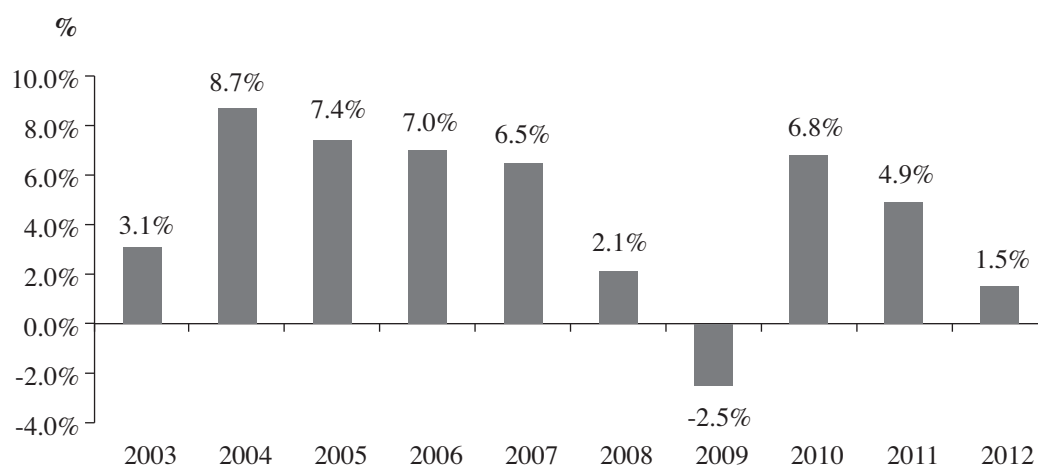
Censere has undertaken an independent valuation to determine the market value of the 40% equity stake in the Company as at 31st August 2013. In preparing this report, we have had discussions with the management of the Company, Fortunate Pool and/or their representatives (together referred to as the "Management") in relation to the development, operations and other relevant information of the Company. We have carried out the valuation based partly on information provided to us by the Management. We have not verified nor confirmed all information provided to us and will assume that all such information is accurate and is not subject to material error or omission.

3. ECONOMIC AND INDUSTRY OVERVIEW

3.1 Recent Economic Performance of Hong Kong

Over the past 10 years, the gross domestic product (GDP) growth of Hong Kong has been positive except for one of those years. The only year that recorded negative GDP growth was 2009, as a result of the Global Financial Crisis (GFC). In general, the GDP growth rate has been decreasing since 2004 with growth rate of only 1.5% in 2012. Hong Kong's economic performance has seen a slight improvement entering 2013, with the year-on-year GDP growth rate in the first and second quarter of 2013 being 4.13% and 4.0% respectively.

Figure 1: GDP Growth of Hong Kong, 2003-2012



Source: Census and Statistics Department of Hong Kong

Although construction activity is not a major contributor to the GDP of Hong Kong, it recorded an increase in percentage of contribution for four consecutive years from 2007 (2.5%) to 2011 (3.4%). The nominal value in 2007 and 2011 was HK\$40,154 million and HK\$65,484 million respectively, with a compound annual growth rate (CAGR) of 13.01%.

Figure 2: Gross Domestic Product (GDP) by Selected Economic Activities — Percentage Contribution, 2007-2011

Economic Activity	2007	2008	2009	2010	2011
Construction	2.5%	3.0%	3.2%	3.3%	3.4%
Real Estate	4.5%	5.2%	5.5%	5.1%	5.6%
Import and export trade	20.2%	20.8%	19.6%	19.7%	21.1%
Wholesale and retail trades	3.4%	3.8%	3.8%	4.1%	4.8%
Transportation and storage	7.1%	5.8%	5.9%	7.6%	6.0%
Financing and insurance	20.1%	17.1%	16.2%	16.4%	16.1%

Source: Census and Statistics Department of Hong Kong

3.2 Overview of Hong Kong Construction Industry:

As described by the Hong Kong Trade Development Council, the major characteristics of Hong Kong's construction industry are:

- 1) the small number of large local contractors;
- 2) the level of subcontracting is high;
- 3) a large number of overseas contractors; and
- 4) there are a substantial proportion of companies playing a dual role as developer and contractor.

In general, construction companies in Hong Kong are mostly small in size. The majority of these companies play the role of subcontractor to large companies who are usually the main contractor. Some of these large construction companies have the capacity to handle projects that require sophisticated technology and have strong financial backgrounds.

According to the Census and Statistics Department's latest statistics, there were 23,417 companies in the construction sector in 2011. These companies were classified into five major categories with regard to the works they perform, including:

- construction of buildings;
- civil engineering;

- demolition and site preparation;
- building services installation & maintenance activities; and
- building finishing & other specialized construction activities.

Of these companies, 22,638 (96.7%) had a value of performed construction works of less than HK\$20 million in 2011 and 778 (around 3.3%) of them had a value above HK\$20 million. Furthermore, there were only 203 companies which had performed construction works with a gross value of HK\$100 million or above. Nevertheless, these 203 companies employed around a quarter of human resources of the construction sector. These 203 companies not only employed more workers, but also made a significantly higher surplus than the other companies. In 2011, the gross surplus made by the all 23,417 companies was HK\$16,714 million and around 40% of the surplus went to these 203 companies. On average, each of them made a surplus of around HK\$32 million.

Figure 3: Principal statistics for all establishments in the construction sector by gross value of construction works performed, 2011

Gross value of construction works performed (HK\$'000)	No. of establishments	No. of persons directly engaged	Average no. of person per establishment	Gross Surplus (HK\$'000)	Surplus per establishment (HK\$'000)
< 5,000	18,723	59,989	3.2	3,510,441	187.5
5,000 - 9,999	2,126	11,056	5.2	852,473	401.0
10,000 - 19,999	1,789	22,684	12.7	2,288,740	1,279.3
20,000 - 49,999	294	13,412	45.6	1,974,688	6,716.6
50,000 - 99,999	281	19,395	69	1,520,345	5,410.5
100,000 +	203	43,809	215.8	6,567,665	32,353.0
Total	23,417	170,345	—	16,714,352	—

Source: *Key Statistics on Business Performance and Operating Characteristics of the Building, Construction and Real Estate Sectors in 2011*, Census and Statistics Department of Hong Kong

According to the Construction Industry Council (CIC), the total construction expenditure in Hong Kong has been constant over the past 10 years. For the public sector, four categories of works are included, namely: civil works (covers all capital civil engineering and major infrastructure works under various Governmental works departments); building works (covers all capital building funded by the Government); Repair, Maintenance, Alteration and Additional (RMAA) works; and, electrical and mechanical (E&M) works. The construction expenditure decreased steadily from HK\$68.4 billion (in 2003/04) to HK\$39.8 billion (in 2008/09) and then bounced up relatively quickly in the past three years to reach HK\$69.8 billion in 2011/12. Among these four works categories, the expenditure on civil works shared the largest proportion. Moreover, the aggregate expenditure on civil and building works has consistently been over 50% of total public expenditure.

The private sector includes building works (mainly covers all private construction works including commercial and residential buildings, shopping centers, industrial factories and hotel developments); Repair, Maintenance, Alteration and Additional (RMAA) works; and, electrical and mechanical (E&M) works. Construction expenditure by the private sector complements the amount of public sector spending. In contrast to the public sector, the construction expenditure by private sector was particularly higher during 2005/06 — 2008/09 with the amount of expenditure being more than HK\$70 billion each year. In terms of type of construction activity, expenditure on building works by private sector fluctuated around the HK\$30 billion mark throughout the whole period.

Figure 4: Construction Expenditure in the past 10 years, 2003/04 — 2012/13 (HK\$ Billion)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Public Sector:										
Civil Works	31.1	28.3	20.4	16.6	14.6	13.4	17.8	27.7	32.2	39.1
Building Works	15.0	12.9	9.5	8.1	9.4	9.9	11.2	13.7	14.7	15.5
RMAA Works	11.9	9.7	10	10.1	10.6	11.1	12.9	12.2	12.6	12
E&M Works	14.7	11.5	8.7	7.8	8.1	7.9	9.7	13.3	14.6	14.5
Sub-Total	72.7	62.4	48.6	42.6	42.7	42.3	51.6	66.9	74.1	81.1
Private Sector:										
Building Works	36.7	31.4	28.9	29	33.4	34.6	30.8	30	35.4	42.2
RMAA Works	14.1	23.6	33	38.7	36.6	33.9	27.4	27.1	29.2	35.2
E&M Works	12.7	13.8	15.5	16.9	17.5	17.1	14.6	14.3	16.1	19.3
Sub-Total	63.5	68.8	77.4	84.6	87.5	85.6	72.8	71.4	80.7	96.7
Total	136.2	131.2	126.0	127.2	130.2	127.9	124.4	138.3	154.8	177.8

Source: Construction Industry Council

Hong Kong's construction participants are internationally reputable as they are highly experienced in building high-rise commercial and residential buildings. Apart from the local market, Hong Kong construction professionals also provide construction services to overseas markets, particularly for projects in Mainland China. From 2005 to 2011, both the export and import values of construction services showed a decreasing trend. In 2005, the value of Hong Kong's exported construction services was HK\$2,436 million and the export value was about half in 2011 compared to 2005. A significant value reduction was recorded in 2008 (-41.5%) and 2009 (-31.7%) due to the effect of the Global Financial Crisis (GFC). Although the export value has not bounced back to the pre-GFC levels, the net export value has maintained a positive value after 2009. Moreover, the net export value of HK\$710 million in 2010 and HK\$502 million in 2011 was even higher than before 2009. Throughout the period of 2005-2011, more than 90% of the construction services by value were exported to Asian countries.

Figure 5: Export and Import of Hong Kong Construction Services (HK\$million), 2005-2011

	2005	2006	2007	2008	2009	2010	2011
Export value	2,436	2,083	2,699	1,580	1,079	1,123	1,111
<i>Share (%)</i>	—	—	0.5%	0.3%	0.2%	0.2%	0.2%
<i>Y-o-Y Change (%)</i>	-17.2%	-14.5%	29.6%	-41.5%	-31.7%	4.1%	-1.1%
Import value	2,122	1,872	2,303	1,283	923	413	609
<i>Share (%)</i>	—	—	0.4%	0.2%	0.2%	0.1%	0.1%
<i>Y-o-Y Change (%)</i>	-21.3%	-11.8%	23.0%	-44.3%	-28.1%	-55.3%	47.5%
Net export	314	211	396	297	156	710	502

Source: Hong Kong Trade in Services Statistics, Census and Statistics Department of Hong Kong

3.3 Overview of Hong Kong Foundation Industry

According to prospectus of Sunley Holdings Limited, a construction project typically consists of: works of site formation and clearance, piling and related foundation work, erection of architectural superstructure and civil engineering construction. As a result of high population density and limited land resources, Hong Kong's building and infrastructure construction projects are mainly multi-storey complexes which require substantial piling and foundation works. In Hong Kong, if contractors wish to carry out foundation works for private projects, they must be registered as specialist contractors (Sub-register of Site Foundation Works) with the Buildings Department of Hong Kong. For the piling works of public projects, contractors must be an "Approved Suppliers of Materials and Specialist Contractors for Public Works" for the category of "Land Piling" by the Development Bureau.

As at 27 September 2013, there are 130 contractors registered as "Register of Specialist (Sub-register of Foundation Works Category)" with the Buildings Department of Hong Kong, including Tysan Foundation. There are 41 approved specialist contractors for land piling of public works, including Tysan Foundation. Among the 41 approved specialist contractors for "Land Piling" works of public projects, Tysan Foundation is one of the contractors which provides a relatively wide range of works. Moreover, some of the works Tysan Foundation provides are only performed by a limited number of other specialist contractors. For example, there are only four contractors who perform steel tubular pile work including Tysan Foundation.

Figure 6: Number of contractors registered with Buildings Department by type:

Type of registration	Number of registered contractors
General building contractors	652
Specialist contractors (Sub-register of Demolition Works)	102
Specialist contractors (Sub-register of Foundation Works)	130
Specialist contractors (Sub-register of Ground Investigation Fields Works)	41
Specialist contractors (Sub-register of Site Formation Works)	169

Source: Buildings Department (up to 8 November 2013)

Figure 7: Number of approved contractors and specialist contractor for public works by category:

Work category	Number of approved contractors or specialist contractors
Buildings	149
Site Formation	80
Land Piling	41

Source: Development Bureau (up to 3 November 2013)

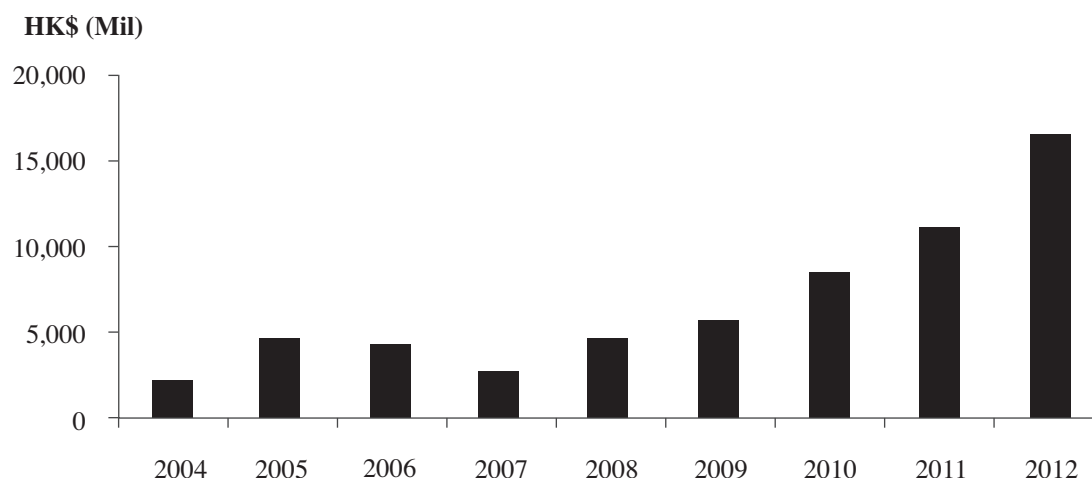
Figure 8: Comparison of work categories between Tysan and other approved contractors for “Land Piling” works for public projects

Work category	Same category of work provided by other contractors
Hand Dug Caisson	15
Large Diameter Bored Pile (with bell-out)	14
Minipile	23
Precast Prestressed Tubular Pile (PPTP)	12
Rock-socketed Steel H-pile in Pre-bored Hole	25
Steel H Pile	23
Steel Tubular Pile	4

Source: Development Bureau (up to 3 November 2013)

According to the statistics of Census and Statistics Department, the gross value of piling and related foundation work performed by main contractors at construction sites amounted to HK\$4,121 million, accounting for 14.5% of the total gross value of construction activities performed by the main contractors at construction sites of HK\$27,920 million. The statistics also shows that the gross value of piling and foundation works performed by main contractors has been increasing steadily since 2007. From 2007 to 2012, the yearly gross value increased from HK\$2,880 million to HK\$16,822 million with a compound annual growth rate of 42.3%. In the first quarter of 2013, the growth rate (8.4%) decreased significantly compared to the same period of 2012 (35.4%).

Figure 9: Gross value of construction works performed by main contractors at construction sites (Piling and Foundation Works), 2004-2012



Source: Report on the Quarterly Survey of Construction Output, Census and Statistics Department

Figure 10: Gross value of construction works performed by main contractors at construction sites (Piling and Foundation Works), 1Q2012 — 1Q2013 (HK\$ million)

	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013
Total of all construction activities	24,377	24,283	24,618	30,743	27,920
<i>Year-on-year change</i>	<i>40.0%</i>	<i>37.0%</i>	<i>23.1%</i>	<i>38.4%</i>	<i>14.5%</i>
Piling & related foundation	3,801	3,447	4,377	5,197	4,121
<i>Year-on-year change</i>	<i>35.4%</i>	<i>22.1%</i>	<i>46.0%</i>	<i>92.4%</i>	<i>8.4%</i>
Share of total	15.6%	14.2%	17.8%	16.9%	14.8%

Source: Report on the Quarterly Survey of Construction Output, Census and Statistics Department

3.4 Hong Kong Construction Expenditure Forecast

The Construction Industry Council projects that the private sector will spend approximately HK\$75 billion to HK\$90 billion yearly in the coming five years. With expenditure on building works forecast to be more than HK\$30 billion, except for a lower forecast in 2017/18 of HK\$24 billion. In the public sector, local construction activities are estimated to be driven by the gradual commencement of mega infrastructure projects and public housing. It is predicted that the annual construction expenditure will increase from HK\$60 billion to HK\$90 billion in the coming five years. The largest proportion of expenditure will be spending on civil works and the expenditure on building works will be over HK\$12 billion on an annual basis. For the long-term (2018/19-2022/23), annual construction expenditure is expected to rise further to a range of HK\$130 billion - HK\$170 billion per year. During these five years, building works will be the major area of expenditure and the spending on civil works will decrease.

Figure 11: Mid-Term Forecast of Construction Expenditure, 2013/14 — 2017/18 (HK\$ Billions)

(Prediction in September 2013 Price)	2013/14		2014/15		2015/16		2016/17		2017/18	
	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper
	Public Sector:									
Civil Works	38	47	38	48	38	52	41	54	36	49
Building Works	11	15	11	15	15	20	15	20	15	20
RMAA Works	9	13	9	13	10	13	9	12	8	11
E&M Works	12	15	12	14	12	15	10	14	11	15
Sub-Total	70	90	70	90	75	100	75	100	70	95
Private Sector:										
Building Works	40	43	39	42	37	40	35	38	35	37
RMAA Works	32	37	33	38	31	36	33	34	34	35
E&M Works	18	20	18	20	17	19	17	18	16	18
Sub-Total	90	100	90	100	85	95	85	90	85	90
Total	160	190	160	190	160	195	160	190	155	185

Source: Construction Industry Council

Figure 12: Long-Term Forecast of Construction Expenditure on Public Sector, 2018/19 — 2022/23 (HK\$ Billions)

(Prediction in September 2013 Price)	2018/19		2019/20		2020/21		2021/22		2022/23	
	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper
	Public Sector:									
Civil Works	36	49	37	50	39	52	32	45	25	37
Building Works	51	61	52	62	52	64	51	66	51	67
RMAA Works	40	46	43	48	42	50	42	52	45	54
E&M Works	28	34	28	35	27	34	25	32	24	32
Total	155	190	160	195	160	200	150	195	145	190

Source: Construction Industry Council

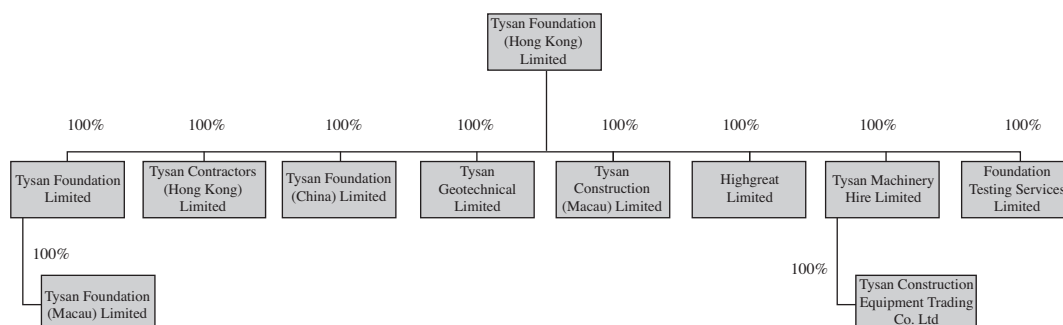
4. THE BUSINESS OF TYSAN FOUNDATION

Tysan Foundation is a limited company incorporated in Hong Kong. The Vendor owns 100% of the equity in Tysan Foundation. The Company is principally engaged in the business of foundation laying in Hong Kong and purports to provide the highest quality foundation piling services to both the public and private sectors.

5. BASIS OF VALUATION

This valuation has been undertaken on a market value basis. Market value is defined as “the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The Company structure before the transaction is as shown below:



6. VALUATION METHODOLOGY

In valuing the market value of the equity in a company, there are generally three accepted approaches, namely the Cost Approach, Market Approach and Income Approach. Each of these approaches may be used in one or more circumstances. In determining which approach should be used, we usually apply the most common practice in valuing companies in similar circumstances.

The cost approach is based upon the economic principle of substitution. The underlying premise is that an investor will pay no more for an asset or business or business interest than the cost to obtain, through purchase or construction, an asset of equal utility or the economic returns that the investor expects the investment to generate. The value of an enterprise is equivalent to the market value of its assets less the market value of its liabilities.

The market approach uses direct comparisons to other enterprises and their equity securities to estimate the market value of the common shares of privately issued securities. The market approach bases the market value measurement on actual market transactions involving similar enterprises. Under this approach, the valuation of the equity securities or assets is based on investments by unrelated parties in comparable equity securities of the subject enterprise or based on transactions in comparable equity securities of comparable enterprises.

The income approach is based on the assumption that value derives from expectations of future income and cash flows. The income approach simulates, in the absence of observable market transactions, how market participants would formulate their decision to buy or sell securities. The income approach seeks to convert future economic benefits into a present value. The income approach differs from the market approach, in that, whereas the market approach is based on marketplace prices and assumptions, the income approach is based on entity-specific assumptions.

In arriving at the market value of the equity in the Company, we have considered the above approaches. In our opinion, the market approach is more appropriate for valuing the Company. The income approach is not adopted here as this method requires substantial judgments to be made to arrive at detailed cash flow forecasts and to estimate the terminal value with an appropriate risk-adjusted discount rate. Such derived present value amounts can be sensitive to small changes in various inputs. The cost approach does not directly incorporate information about the economic benefits contributed by the subject asset, business or business interest.

To determine the market value of the Company, the average earnings multiples from the comparable listed companies (“Comparables”) are applied to the actual earnings of the Company. Due to the consideration of: a) the large fluctuations (volatility) in earnings performance/net income of the Company (as shown below); b) the relevancy and right balance of the historical data within a certain time period; and (c) to take into account the economic activity of the Company’s business (as the Company’s business has customer contracts which span different lengths of time with different levels of complexity and profitability), average profit for the latest 3 financial years before the Valuation Date is considered as normalized earnings of the company for valuation purposes. Furthermore, if the earnings period is too short (e.g. a single year), then earnings volatility will affect the valuation. Therefore, a single year in this instance does not reflect normalized earnings. Alternatively, if the earnings period is too long, then the earning data loses relevance and may not accurately reflect the companies normalized earnings.

(HK\$000)	FY2011	FY2012	FY2013
Net Income	103,480	160,686	27,403
NI growth	79%	55%	-83%

This is commonly used industry practice for dealing with fluctuating and volatile earnings (to normalize the figure by averaging them across time). This reflects the average long-term earnings power of the business. Of the various market multiples, we consider the Price to Earnings ratio (“P/E ratio”) the most appropriate in determining the value of the company.

The impact of debt has been considered in our equity valuation using P/E method. P/E valuation is based on the earnings multiples of comparables, of which, the net profits include the impact of interest expense. As comparable companies usually have some debts and incur some interest expenses, using P/E method for valuing companies with debt is acceptable. Therefore, as the P/E multiple method does take into account interest expense; this method is not only applicable to “debt-free” companies, but also applicable to companies with some levels of debt.

The Company has incurred interest expense in the past years, which had been deducted in arriving at net profit, which affects the valuation of equity. Hence, the financial impact of debts had been accounted for using the P/E method in the form of earnings impact.

Based on business nature and primary operating location, our research has identified the following companies listed in Hong Kong as comparable companies, with principal business activities and geographic regions similar to the Company. These companies are mainly engaged in provision of

construction services with significant operations in foundation piling and are listed in Hong Kong. The specific selection criteria we used to calculate the comparables are:

- a. All stocks are listed on the Hong Kong Stock Exchange;
- b. All stocks have a reasonable length of listing history i.e. at least 2 years;
- c. At least 75% of total revenue is generated by construction services in the latest financial year; and
- d. The company has an active foundation piling business segment.

In our opinion, the companies described below meet our specific selection criteria mentioned above:

Comparable Companies	Ticker	Place of Business	Place of Listing	Principal Business Activities	Market Cap based on the 90-day average share price (HK\$ in millions)
Hsin Chong Construction Group Limited	404:HK	Hong Kong	Hong Kong	Hsin Chong Construction Group Ltd. is an investment holding company. The Company, along with its subsidiaries, is engaged in building construction, civil engineering construction, electrical and mechanical installation, interiors and special projects, property development and investment, provision of construction/project management consultancy services, and provision of property and facility management services.	1,235
PYI Corporation Ltd.	498:HK	Hong Kong	Hong Kong	PYI Corporation Limited is an investment holding company. It focuses in land and property development and investment in association with ports and infrastructure development. It is also engaged in ports and infrastructure development and investment, and the operation of ports and logistics facilities, in the Yangtze River region of China.	838

Comparable Companies	Ticker	Place of Business	Place of Listing	Principal Business Activities	Market Cap based on the 90-day average share price (HK\$ in millions)
Chinney Alliance Group Limited	385:HK	Hong Kong	Hong Kong	Chinney Alliance Group Limited is an investment holding company. Through its subsidiaries, the Company operates in five segments: plastic and chemical products, building related contracting services, foundation piling and ground investigation, building construction, and others.	267
Build King Holdings Limited	240:HK	Hong Kong	Hong Kong	Build King Holdings Limited is a Hong Kong-based investment holding company, which along with its subsidiaries is engaged in civil engineering work. Its geographical location includes Hong Kong, People's Republic of China and the Middle East. Its activities include buildings, foundations, general civil works, marine works, railway and associated works, structural steel works and tunnels.	175

Source: Bloomberg and Financial Times

Price to Earnings (P/E) Ratio is the price of a share of stock divided by its earnings per share. It is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. P/E ratio is a financial ratio used for valuation: a higher P/E ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower P/E ratio.

The share price is based on the 90-day average share price of the comparable companies on or before the Valuation Date. The 90-day average is used to remove short term volatilities in share prices of the comparable companies before the Valuation Date. The method is in line with the common market basis and one of the sensible industry accepted practices. If a single day share price is used, the share prices' volatility may affect the valuation, and a longer share price average period loses relevance. We have performed analysis on shorter periods i.e. 30, 60 and 90 days and found the results to be very similar (+/-1.5% variation) and not material in relation to the business valuations.

Earnings are based on the average three-year earnings per share of the comparable companies as of Valuation Date. This is the same method used to calculate the company's earnings (e.g. three year average net income). This ensures our calculation method is consistent and on a like-for-like basis.

The P/E ratios of the companies based on information extracted from Bloomberg and Capital IQ as of Valuation Date are as below:

Comparable companies	P/E ratio
Hsin Chong Construction Group Limited	4.93
PYI Corporation Ltd.	3.23
Chinney Alliance Group Limited	8.42
Build King Holdings Limited	7.05
Average	5.91

The average of 5.91 times price to earnings ratio is adopted as the benchmark price to earnings ratio for the valuation of the Company.

According to the International Glossary of Business Valuation Terms, marketability means the relative ease and promptness with which a security or commodity may be sold when desired, at a representative current price, without material concession in price merely because of the necessity of the sale. Investors will price in a discount for the additional costs and risks of liquidation when valuing equity in privately held companies. The Security Exchange Commission, United States of America restricted stock rules required investors to hold such stock for a certain period of time, the difference between prices at which restricted stocks were issued relative to freely traded stocks of the same company are considered a proxy for a marketability discounts for non-publicly traded stock. Hence, the discounts for lack of marketability were found by comparing those restricted stocks before and after the restriction. Based on nine United States of America benchmark marketability discount studies as shown below, we are of the opinion that an appropriate marketability discount for the purpose of this valuation is 33%.

Comparable companies	P/E ratio
SEC overall average / Institutional Investor Study	25.8%
Gelman Study	33.0%
Trout Study	33.5%
Moroney Study	35.6%
Maher Study	35.4%
Standard Research Consultants Study	45.0%
Willamette Management Associates Study	31.2%
Silber Study	33.8%
Management Planning, Inc. Study	27.1%
Average	33.0%

The nine studies are not an exhaustive list, but represent nine of the most commonly referred to marketability discount studies used by the market. These studies are well known in the industry and relevant, therefore meaningful in our opinion. We are not aware of any similar studies performed using Hong Kong or China market data.

According to financial information provided by the Management, the average three year consolidated net profit of the Company for the 3-year period ended 31st March 2013, amounted to HK\$97.2 million. Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollar (HK\$). From our discussions with Management, we are not aware of any material change in the business of the company over the last three years.

The valuation of a 100% equity stake in the Company is hence obtained by multiplying the average price to earnings ratio by the derived average net profit for the 3-year period ended 31st March 2013. A marketability discount of 33% is applied in arriving at a market value of approximately HK\$384.6 million as at Valuation Date. Therefore, a 40% equity stake in the Company is valued at approximately HK\$153.8 million as at Valuation Date.

7. SENSITIVITY ANALYSIS

As equity valuation by market approach involve numerous assumptions, the magnitude of those input parameters may impose significant impacts on the valuation of the equity as at Valuation Date. Sensitivity analyses are performed to assess to what extent the resulting amount will be affected if other input values are asserted into the valuation model.

Sensitivity analysis is performed to assess the impact on our final valuation result of any changes in the three major parameters, marketability discount, market multiple and earnings. Our opinion is based on the final result, not on the sensitivity analysis below as the sensitivity analysis is for reference only. Based on valuation methods and parameters stated above, the results are shown below.

When there are no changes on earnings, the range of values relating to the 40% equity stake in the Company as at Valuation Date are shown below:

(HK\$ '000)		Marketability Discount				
		43%	38%	33%	28%	23%
P/E Multiple	3.91	86,558	94,151	101,744	109,336	116,929
	4.91	108,717	118,254	127,790	137,327	146,864
	5.91	130,877	142,357	153,837	165,318	176,798
	6.91	153,036	166,460	179,884	193,308	206,733
	7.91	175,195	190,563	205,931	221,299	236,667

When the earnings increased by 5%, the range of values relating to the 40% equity stake in the Company as at Valuation Date are shown below:

(HK\$ '000)		Marketability Discount				
		43%	38%	33%	28%	23%
P/E Multiple	3.91	90,886	98,858	106,831	114,803	122,776
	4.91	114,153	124,167	134,180	144,193	154,207
	5.91	137,420	149,475	161,529	173,584	185,638
	6.91	160,688	174,783	188,878	202,974	217,069
	7.91	183,955	200,091	216,228	232,364	248,500

When the earnings increased by 10%, the range of values relating to the 40% equity stake in the Company as at Valuation Date are shown below:

(HK\$ '000)		Marketability Discount				
		43%	38%	33%	28%	23%
P/E Multiple	3.91	95,214	103,566	111,918	120,270	128,622
	4.91	119,589	130,079	140,570	151,060	161,550
	5.91	143,964	156,593	169,221	181,849	194,478
	6.91	168,339	183,106	197,873	212,639	227,406
	7.91	192,714	209,619	226,524	243,429	260,334

When the earnings decreased by 5%, the range of values relating to the 40% equity stake in the Company as at Valuation Date are shown below:

(HK\$ '000)		Marketability Discount				
		43%	38%	33%	28%	23%
P/E Multiple	3.91	82,230	89,443	96,656	103,870	111,083
	4.91	103,281	112,341	121,401	130,461	139,520
	5.91	124,333	135,239	146,145	157,052	167,958
	6.91	145,384	158,137	170,890	183,643	196,396
	7.91	166,435	181,035	195,634	210,234	224,834

When the earnings decreased by 10%, the range of values relating to the 40% equity stake in the Company as at Valuation Date are shown below:

(HK\$ '000)		Marketability Discount				
		43%	38%	33%	28%	23%
P/E Multiple	3.91	77,902	84,736	91,569	98,403	105,236
	4.91	97,846	106,428	115,011	123,594	132,177
	5.91	117,789	128,121	138,454	148,786	159,118
	6.91	137,732	149,814	161,896	173,977	186,059
	7.91	157,675	171,507	185,338	199,169	213,000

Subject to the sensitivity analysis, the range of value for the 40% equity in the Company as at Valuation Date is between the amount of HK\$77.9 million and HK\$260.3 million.

8. KEY ASSUMPTIONS

We have made certain assumptions in our valuation and the key ones are shown as follows:

- Information provided by the Management accurately reflects the financial and operating position of the Company;
- There will be no adverse changes to the operation of the Company;
- There will not be any material change in political and/or economic conditions under which the Company operates that may adversely affect the valuation;

- The Company has sufficient operational resources to support its ongoing operation;
- There are no other liabilities including any contingent liabilities or unusual contractual obligations or substantial commitments which would have a material effect on the value of the Company. We have discussed with Management, and asked if they had been aware of any other liabilities (e.g. compensation litigation, indemnity and warranties) which may have a material effect on the company, negative replies were obtained;
- There will be no material change in inflation, interest rates or exchange rates from those prevailing as at Valuation Date;
- There will be no material change in the bases or rates of taxation or duties in the localities for the operation of the Company; and
- All relevant legal and administrative approvals as well as business certificates, licenses or permits to operate the business in the localities where the Company operates or plans to operate would be obtained and renewed upon expiry.

9. INFORMATION REVIEWED

In preparing our opinion, we have received and reviewed information from Management and discussed this information with them in detail. We are not aware of any indicator which leads us to believe, that the information does not accurately reflect the operations and/or financial status of the company.

We have relied to a considerable extent on this information in arriving at our opinion, including, but not limited to the following:

- Consolidated financial statements of the Company for the years ended 31st March 2009 to 2013;
- Consolidated financial statements of the Company for the 5-month period ended 31st August 2012 and 31st August 2013;
- General and historical company information of the Company;
- Discussion with the Management of the Company;
- Research of industry trends and overviews from various research sources;
- Research of general overview of the economy in Hong Kong; and
- Business overview, financial performance, and share price information of comparable companies from Bloomberg and other sources.

For this assignment we have not carried out any work in the nature of a feasibility study nor are we required to express a viability opinion on any proposed transaction. We have not verified or confirmed information provided to us and have assumed that all such information is accurate and is not subject to material error or omission.

The financial statements for the 5-month period ended 31st August 2013 have not been taken into account in our valuation because in view of the substantial fluctuations in the Company's net profit over a three year period, we would consider a 5-month period too short to be incorporated in our valuation.

Some of the information used in this valuation report has been provided by Management. Mr. Victor Fung, who is counter-party to this transaction, was in a meeting we attended with Management. The company secretary of Tysan Holdings Limited was also in attendance. Censere had various opportunities to speak to the Management, independent of Mr. Victor Fung during our site visits to foundation and construction sites operated by Tysan.

10. LIMITING CONDITIONS

All work has been performed in accordance with and subject to our Standard Conditions of Engagement, a copy of which has been previously provided. For your reference, we highlight some of the more pertinent points:

- We shall not under any circumstances be liable for damages or for losses that are not direct result of breach of contract or negligence on our part in respect of services provided in connection with or arising out of the engagement set out in this letter (or any variation or addition thereto) or for any consequential losses or loss of profits of whatsoever nature, and in any event, the liability of Censere, its related companies, partners, directors and staff (whether in contract, negligence or otherwise) shall in no circumstances exceed the fees paid specifically for the work in question which allegedly entailed a breach of contract or negligence on our part;
- The exercise was based largely upon information provided by and on behalf of the Management. We assume no responsibility and make no representation with respect to the accuracy or completeness of any information provided by Management or nominated representatives of the Management;
- In no event shall Censere, its related companies, partners, directors and staff be liable for any loss, damage, cost or expense arising in any form or in connection with the fraudulent acts or omissions, or any misrepresentations or any default on the part of the directors, employees or agents of the Management;
- Without derogating from the aforesaid provisions, we shall not under any circumstances whatsoever be liable to any third party whether or not they are shown a copy of any work that we have done pursuant to the terms of our engagement and whether or not we have consented to such work being shown to them, save and except where we specifically agreed in writing to accept such liability;

- Except as a result of our own negligence or wilful default, in the event that we find ourselves subject to a claim or incur legal costs from another party as a result of false or misrepresented information provided by Management in connection with this engagement, any claim established against us and the cost we necessarily incur in defending it would form part of the expenses we would look to recover from the Management.

11. OPINION OF VALUE

Based on our research and analyses, we are of the opinion that the market value of the 40% equity stake in the Company as at the Valuation Date is fairly stated in the amount of approximately HK\$153.8 million.

The value of the 40% equity stake in the Company is only an indicative quantum at which interests might reasonably be expected to be sold as at the Valuation Date, and may be different from the actual transacted price, if any.

We confirm that we have carried out research, made relevant inquiries and obtained such information considered pertinent to this project from the Management. We have obtained assurance from the Management that the information they provided to us accurately reflects the financial and operating position of the Company. We also confirm that we have no present or contemplated interest in the assets which are the subject of this valuation and acting independent of all parties.

Yours faithfully
For and on behalf of
Censere (Far East) Limited
Brett A. Shadbolt
Chief Executive Officer
Registered Business Valuer (Hong Kong)

12. MR. BRETT SHADBOLT VALUATION EXPERIENCE

Brett is the founder and CEO of Censere (Far East) Limited. Brett has over 25 years experience in corporate advisory and valuation of financial interests, mining assets, intangible assets and technical plant and machinery and has worked extensively throughout Asia and the South Pacific. Brett is a Registered Business Valuer (Hong Kong).

Mr. Shadbolt has acted as Project Manager and Lead Valuer on many major transactions throughout the Asia Pacific Region for clients such as Advanced Micro Devices, Singapore International Airlines, Thai Petrochemical Industries, ExxonMobil, China Eastern Airlines, Proton Motors, China Southern Airlines, Maanshan Iron & Steel and Dongfeng Motors. He has written numerous articles about valuation and financial due diligence in emerging markets, and is a regular speaker at conferences on the same topics.

Qualifications

MSc in Global Finance — HKUST, Hong Kong /NYU Stern, New York

Certificate in Business Development from Paisley University, Scotland, UK

Diploma in Management Studies from Paisley University, Scotland, UK

Diploma in Business Studies with an endorsement in plant and machinery valuation from Massey University, New Zealand

Hong Kong Securities Institute Diploma

Professional Institution Memberships

Member of AusIMM — Australasian Institute of Mining and Metallurgy

Member of the Hong Kong Securities Institute

Senior Member of the Property Institute of New Zealand

Professional Member of the Royal Institute of Chartered Surveyors

Registered Valuer (Plant & Machinery) New Zealand

Registered Business Valuer (Hong Kong)

Member of the Chartered Institute of Arbitrators

Associate of the New Zealand Institute of Management

13. BACKGROUND OF CENSERE

Censere (Far East) Limited is part of the Censere Group, a company headquartered in Singapore with at least 11 years experience in independent strategic advice, comprehensive technical asset, intellectual property and business valuation services and related support services in Asia Pacific for, amongst others, mergers and acquisitions.

Censere Group has twelve offices throughout Asia Pacific. Offices are located at Auckland, Bangkok, Beijing, Hong Kong, Kuala Lumpur, Maldives, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo. The clients of Censere Group include China Everbright, China Resources, Citigroup and JP Morgan Chase. Censere Group's services include, amongst others, valuation and fairness opinions. Mr. Brett Shadbolt is the Chief Executive Officer of Censere Group.



Appraise — Assist — Advise

25 November 2013

The Board of Directors
Tysan Holdings Limited

20/F, One Island South,
2 Heung Yip Road,
Wong Chuk Hang,
Hong Kong

Ref: T00031-1-r1

Dear Sir/Madam,

RE: VALUATION OF THE 49% EQUITY STAKE IN TYSAN BUILDING CONSTRUCTION COMPANY LIMITED

In accordance with your instructions, we have undertaken an investigation and analysis to determine the 49% equity stake in Tysan Building Construction Company Limited (hereafter referred to as “Tysan Building Construction” or the “Company”). We confirm that we have made relevant enquiries and obtained other information we considered necessary for the purpose of providing you with our opinion of the market value of the equity as at 31st August 2013 (hereafter referred to as the “Valuation Date”).

This report outlines the factors considered and, methodologies and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

1. PURPOSE OF VALUATION

This report has been prepared solely for Tysan Holdings Limited (hereafter referred to as “Tysan Holdings” or “Vendor”). Tysan Holdings is a public company listed on the Main Board of the Stock Exchange of Hong Kong (Stock Code: 687.HK). Tysan Holdings owns a 49% equity stake in Tysan Building Construction Company Limited (hereafter referred to as “Tysan Building Construction” or the “Company”). On 19th August 2013, Mr. Victor Fung (hereafter referred to as “Buyer”) has agreed to purchase, and the Vendor has agreed to dispose of, the 49% equity stake (which includes equity and shareholder loans) of the Tysan Building Construction. We, Censere (Far East) Limited (hereafter referred to as “Censere”), have been appointed to conduct a valuation for the 49% equity stake of Tysan Building Construction.

As the disposal constitutes a discloseable and connected transaction, Censere acknowledges that this report may be made available to the Tysan Building Construction for public documentation purposes, and may be included in Tysan Holdings' circular only, but is not intended for any other purpose without our prior written consent.

Censere has assumed no responsibility or liability for any losses incurred by you or any third party as a result of unauthorized circulation, publication or reproduction of this report in any form and/or if used contrary to the purpose stated therein.

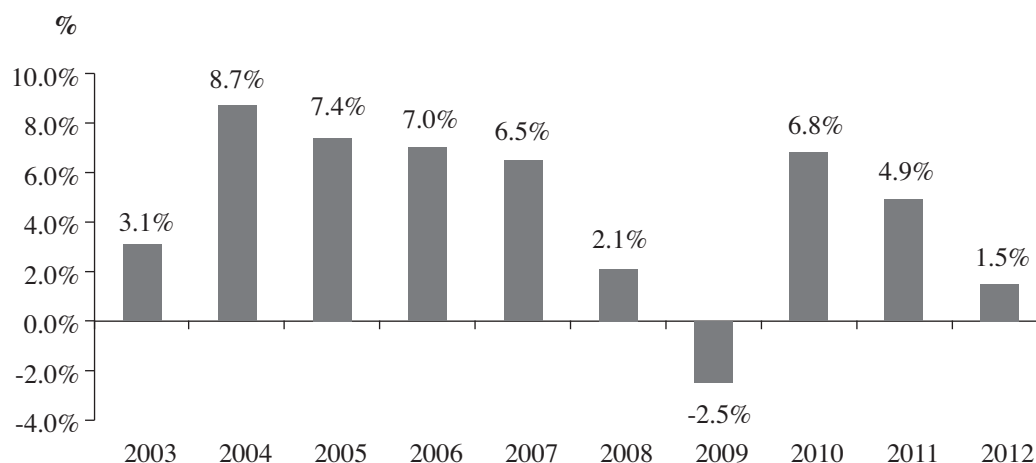
2. SCOPE OF WORK

Censere has undertaken an independent valuation to determine the market value of the 49% equity in the Tysan Building Construction as at 31st August 2013. In preparing this report, we have had discussions with the management of the Company, Buyer and/or their representatives (together referred to as the "Management") in relation to the development, operations and other relevant information of the Company. We have carried out the valuation based partly on information provided to us by the Management. We have not verified nor confirmed all information provided to us and will assume that all such information is accurate and is not subject to material error or omission.

3. ECONOMIC AND INDUSTRY OVERVIEW

3.1 Recent Economic Performance of Hong Kong

Over the past 10 years, the gross domestic product (GDP) growth of Hong Kong has been positive except for one of those years. The only year that recorded negative GDP growth was 2009, as a result of the Global Financial Crisis (GFC). In general, the GDP growth rate has been decreasing since 2004 with growth rate of only 1.5% in 2012. Hong Kong's economic performance has seen a slight improvement entering 2013, with the year-on-year GDP growth rate in the first and second quarter of 2013 being 4.13% and 4.0% respectively.

Figure 1: GDP Growth of Hong Kong, 2003-2012

Source: Census and Statistics Department of Hong Kong

Although construction activity is not a major contributor to the GDP of Hong Kong, it recorded an increase in percentage of contribution for four consecutive years from 2007 (2.5%) to 2011 (3.4%). The nominal value in 2007 and 2011 was HK\$40,154 million and HK\$65,484 million respectively, with a compound annual growth rate (CAGR) of 13.01%.

Figure 2: Gross Domestic Product (GDP) by Selected Economic Activities — Percentage Contribution, 2007-2011

Economic Activity	2007	2008	2009	2010	2011
Construction	2.5%	3.0%	3.2%	3.3%	3.4%
Real Estate	4.5%	5.2%	5.5%	5.1%	5.6%
Import and export trade	20.2%	20.8%	19.6%	19.7%	21.1%
Wholesale and retail trades	3.4%	3.8%	3.8%	4.1%	4.8%
Transportation and storage	7.1%	5.8%	5.9%	7.6%	6.0%
Financing and insurance	20.1%	17.1%	16.2%	16.4%	16.1%

Source: Census and Statistics Department of Hong Kong

3.2 Overview of Hong Kong Construction Industry:

As described by the Hong Kong Trade Development Council, the major characteristics of Hong Kong's construction industry are:

- 1) the small number of large local contractors;
- 2) the level of subcontracting is high;
- 3) a large number of overseas contractors; and

- 4) there are a substantial proportion of companies playing a dual role as developer and contractor.

In general, construction companies in Hong Kong are mostly small in size. The majority of these companies play the role of subcontractor to large companies who are usually the main contractor. Some of these large construction companies have the capacity to handle projects that require sophisticated technology and have strong financial backgrounds.

According to the Census and Statistics Department's latest statistics, there were 23,417 companies in the construction sector in 2011. These companies were classified into five major categories with regard to the works they perform, including:

- construction of buildings;
- civil engineering;
- demolition and site preparation;
- building services installation & maintenance activities; and
- building finishing & other specialized construction activities.

Of these companies, 22,638 (96.7%) had a value of performed construction works of less than HK\$20 million in 2011 and 778 (around 3.3%) of them had a value above HK\$20 million. Furthermore, there were only 203 companies which had performed construction works with a gross value of HK\$100 million or above. Nevertheless, these 203 companies employed around a quarter of human resources of the construction sector. These 203 companies not only employed more workers, but also made a significantly higher surplus than the other companies. In 2011, the gross surplus made by the all 23,417 companies was HK\$16,714 million and around 40% of the surplus went to these 203 companies. On average, each of them made a surplus of around HK\$32 million.

Figure 3: Principal statistics for all establishments in the construction sector by gross value of construction works performed, 2011

Gross value of construction works performed (HK\$'000)	No. of establishments	No. of persons directly engaged	Average no. of person per establishment	Gross Surplus (HK\$'000)	Surplus per establishment (HK\$'000)
< 5,000	18,723	59,989	3.2	3,510,441	187.5
5,000 - 9,999	2,126	11,056	5.2	852,473	401.0
10,000 - 19,999	1,789	22,684	12.7	2,288,740	1,279.3
20,000 - 49,999	294	13,412	45.6	1,974,688	6,716.6
50,000 - 99,999	281	19,395	69	1,520,345	5,410.5
100,000 +	203	43,809	215.8	6,567,665	32,353.0
Total	23,417	170,345	—	16,714,352	—

Source: *Key Statistics on Business Performance and Operating Characteristics of the Building, Construction and Real Estate Sectors in 2011*, Census and Statistics Department of Hong Kong

According to the Construction Industry Council (CIC), the total construction expenditure in Hong Kong has been constant over the past 10 years. For the public sector, four categories of works are included, namely: civil works (covers all capital civil engineering and major infrastructure works under various Governmental works departments); building works (covers all capital building funded by the Government); Repair, Maintenance, Alteration and Additional (RMAA) works; and, electrical and mechanical (E&M) works. The construction expenditure decreased steadily from HK\$68.4 billion (in 2003/04) to HK\$39.8 billion (in 2008/09) and then bounced up relatively quickly in the past three years to reach HK\$69.8 billion in 2011/12. Among these four works categories, the expenditure on civil works shared the largest proportion. Moreover, the aggregate expenditure on civil and building works has consistently been over 50% of total public expenditure.

The private sector includes building works (mainly covers all private construction works including commercial and residential buildings, shopping centers, industrial factories and hotel developments); Repair, Maintenance, Alteration and Additional (RMAA) works; and, electrical and mechanical (E&M) works. Construction expenditure by the private sector complements the amount of public sector spending. In contrast to the public sector, the construction expenditure by private sector was particularly higher during 2005/06 — 2008/09 with the amount of expenditure being more than HK\$70 billion each year. In terms of type of construction activity, expenditure on building works by private sector fluctuated around the HK\$30 billion mark throughout the whole period.

Figure 4: Construction Expenditure in the past 10 years, 2003/04 — 2012/13 (HK\$ Billion)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Public Sector:										
Civil Works	31.1	28.3	20.4	16.6	14.6	13.4	17.8	27.7	32.2	39.1
Building Works	15.0	12.9	9.5	8.1	9.4	9.9	11.2	13.7	14.7	15.5
RMAA Works	11.9	9.7	10	10.1	10.6	11.1	12.9	12.2	12.6	12
E&M Works	14.7	11.5	8.7	7.8	8.1	7.9	9.7	13.3	14.6	14.5
Sub-Total	72.7	62.4	48.6	42.6	42.7	42.3	51.6	66.9	74.1	81.1
Private Sector:										
Building Works	36.7	31.4	28.9	29	33.4	34.6	30.8	30	35.4	42.2
RMAA Works	14.1	23.6	33	38.7	36.6	33.9	27.4	27.1	29.2	35.2
E&M Works	12.7	13.8	15.5	16.9	17.5	17.1	14.6	14.3	16.1	19.3
Sub-Total	63.5	68.8	77.4	84.6	87.5	85.6	72.8	71.4	80.7	96.7
Total	136.2	131.2	126.0	127.2	130.2	127.9	124.4	138.3	154.8	177.8

Source: Construction Industry Council

Hong Kong's construction participants are internationally reputable as they are highly experienced in building high-rise commercial and residential buildings. Apart from the local market, Hong Kong construction professionals also provide construction services to overseas markets, particularly for projects in Mainland China. From 2005 to 2011, both the export and import values of construction services showed a decreasing trend. In 2005, the value of Hong Kong's exported construction services was HK\$2,436 million and the export value was about half in 2011 compared to 2005. A significant value reduction was recorded in 2008 (-41.5%) and 2009 (-31.7%) due to the effect of the Global Financial Crisis (GFC). Although the export value has not bounced back to the pre-GFC levels, the net export value has maintained a positive value after 2009. Moreover, the net export value of HK\$710 million in 2010 and HK\$502 million in 2011 was even higher than before 2009. Throughout the period of 2005-2011, more than 90% of the construction services by value were exported to Asian countries.

Figure 5: Export and Import of Hong Kong Construction Services (HK\$ million), 2005-2011

	2005	2006	2007	2008	2009	2010	2011
Export value	2,436	2,083	2,699	1,580	1,079	1,123	1,111
Share (%)	—	—	0.5%	0.3%	0.2%	0.2%	0.2%
Y-o-Y Change (%)	-17.2%	-14.5%	29.6%	-41.5%	-31.7%	4.1%	-1.1%
Import value	2,122	1,872	2,303	1,283	923	413	609
Share (%)	—	—	0.4%	0.2%	0.2%	0.1%	0.1%
Y-o-Y Change (%)	-21.3%	-11.8%	23.0%	-44.3%	-28.1%	-55.3%	47.5%
Net export	314	211	396	297	156	710	502

Source: Hong Kong Trade in Services Statistics, Census and Statistics Department of Hong Kong

3.3 Hong Kong Construction Expenditure Forecast

The Construction Industry Council projects that the private sector will spend approximately HK\$75 billion to HK\$90 billion yearly in the coming five years. With expenditure on building works forecast to be more than HK\$30 billion, except for a lower forecast in 2017/18 of HK\$24 billion. In the public sector, local construction activities are estimated to be driven by the gradual commencement of mega infrastructure projects and public housing. It is predicted that the annual construction expenditure will increase from HK\$60 billion to HK\$90 billion in the coming five years. The largest proportion of expenditure will be spending on civil works and the expenditure on building works will be over HK\$12 billion on an annual basis. For the long-term (2018/19-2022/23), annual construction expenditure is expected to rise further to a range of HK\$130 billion - HK\$170 billion per year. During these five years, building works will be the major area of expenditure and the spending on civil works will decrease.

Figure 6: Mid-Term Forecast of Construction Expenditure, 2013/14 — 2017/18 (HK\$ Billion)

(Prediction in September 2013 Price)	2013/14		2014/15		2015/16		2016/17		2017/18	
	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper
Public Sector:										
Civil Works	38	47	38	48	38	52	41	54	36	49
Building Works	11	15	11	15	15	20	15	20	15	20
RMAA Works	9	13	9	13	10	13	9	12	8	11
E&M Works	12	15	12	14	12	15	10	14	11	15
Sub-Total	70	90	70	90	75	100	75	100	70	95
Private Sector:										
Building Works	40	43	39	42	37	40	35	38	35	37
RMAA Works	32	37	33	38	31	36	33	34	34	35
E&M Works	18	20	18	20	17	19	17	18	16	18
Sub-Total	90	100	90	100	85	95	85	90	85	90
Total	160	190	160	190	160	195	160	190	155	185

Source: Construction Industry Council

Figure 7: Long-Term Forecast of Construction Expenditure on Public Sector, 2018/19 — 2022/23 (HK\$ Billion)

(Prediction in September 2013 Price)	2018/19		2019/20		2020/21		2021/22		2022/23	
	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper
Public Sector:										
Civil Works	36	49	37	50	39	52	32	45	25	37
Building Works	51	61	52	62	52	64	51	66	51	67
RMAA Works	40	46	43	48	42	50	42	52	45	54
E&M Works	28	34	28	35	27	34	25	32	24	32
Total	155	190	160	195	160	200	150	195	145	190

Source: Construction Industry Council

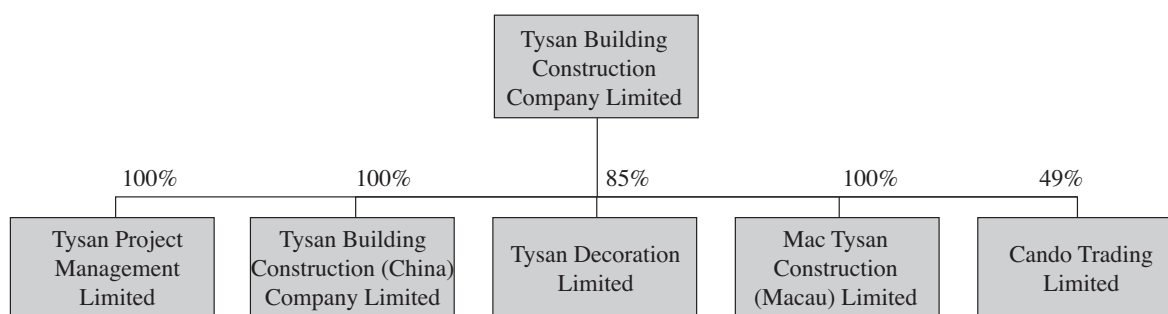
4. THE BUSINESS OF TYSAN BUILDING CONSTRUCTION

Tysan Building Construction is a limited company incorporated in Hong Kong. The Vendor owns 49% of the equity in Tysan Building Construction. The Company provides a wide range of construction and project management services which includes construction works, renovation of building façade, refurbishment and fitting-out works.

5. BASIS OF VALUATION

This valuation has been undertaken on a market value basis. Market value is defined as “the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The Company structure before the transaction is as shown below:



Tysan Building Construction (China) Company Limited (a wholly owned subsidiary of Tysan Building Construction) owned 20% of the equity in Great Prosper Limited as at the Valuation Date. Great Prosper Limited is an investment holding company and its wholly-owned subsidiary, Tysan Property Development (Tianjin) Company Limited, is principally engaged in property development in Tianjin, PRC. According to Management and company announcement of Tysan Holdings Limited dated 19th August, 2013, the 20% equity stake in Great Prosper Limited would be sold for HK\$129.4 million and all sales proceeds would then be distributed to shareholders of Tysan Building Construction. For the purpose of this exercise, the value of Great Prosper Limited held by Tysan Building Construction will be excluded in valuing the equity in Tysan Building Construction.

6. VALUATION METHODOLOGY

In valuing the market value of the equity in a company, there are generally three accepted approaches, namely the Cost Approach, Market Approach and Income Approach. In determining which approach should be used, we usually apply the most common practice in valuing companies in similar circumstances.

The cost approach is based upon the economic principle of substitution. The underlying premise is that an investor will pay no more for an asset or business or business interest than the cost to obtain, through purchase or construction, an asset of equal utility or the economic returns that the investor expects the investment to generate. The value of an enterprise is equivalent to the market value of its assets less the market value of its liabilities.

The market approach uses direct comparisons to other enterprises and their equity securities to estimate the market value of the common shares of privately issued securities. The market approach bases the market value measurement on actual market transactions involving similar enterprises. Under this approach, the valuation of the equity securities or assets is based on investments by unrelated parties in comparable equity securities of the subject enterprise or based on transactions in comparable equity securities of comparable enterprises.

The income approach is based on the assumption that value derives from expectations of future income and cash flows. The income approach simulates, in the absence of observable market transactions, how market participants would formulate their decision to buy or sell securities. The income approach seeks to convert future economic benefits into a present value. The income approach differs from the market approach, in that, whereas the market approach is based on marketplace prices and assumptions, the income approach is based on entity-specific assumptions.

In arriving at the market value of the equity in the Company, we have considered the above approaches. In our opinion, the market approach is more appropriate for valuing the Company. The income approach is not adopted here as this method requires substantial judgments to be made to arrive at detailed cash flow forecasts and to estimate the terminal value with an appropriate risk-adjusted discount rate. Such derived present value amounts can be sensitive to small changes in various inputs. The cost approach does not directly incorporate information about the economic benefits contributed by the subject asset, business or business interest.

To determine the market value of the Company, the average earnings multiples from the comparable listed companies (“Comparables”) are applied to the actual earnings of the Company. Due to the consideration of: a) the large fluctuations (volatility) in earnings performance/net income of the Company (as shown below); b) the relevancy and the right balance of the historical data within a certain time period; and (c) to take into account the economic activity of the Company’s business (as the Company’s business has customer contracts which span different lengths of time with different levels of complexity and profitability), average profit for the latest 3 financial years before the Valuation Date is considered as normalized earnings of the company for valuation purposes. Furthermore, if the earnings period is too short (e.g. a single year), then earnings volatility will affect the valuation. Therefore, a single year in this instance does not reflect normalized earnings. Alternatively, if the earnings period is too long, then the earning data loses relevance and may not accurately reflect the companies normalized earnings.

This is commonly used industry practice for dealing with fluctuating and volatile earnings (to normalize the figure by averaging them across time). This reflect the average long-term earnings power of the business. Of the various market multiples, we consider the Price to Earnings ratio (“P/E ratio”) the most appropriate in determining the value of the company.

(HK\$000)	FY2011	FY2012	FY2013
Net Income	4,879	2,226	8,926
NI growth	248%	(54)%	301%

The impact of debt has been considered in our equity valuation using P/E method. P/E valuation is based on the earnings multiples of comparables, of which, the net profits include the impact of interest expense. As comparable companies usually have some debts and incur some interest expenses, using P/E method for valuing companies with debt is acceptable. Therefore, as the P/E multiple method does take into account interest expense; this method is not only applicable to “debt-free” companies, but also applicable to companies with some levels of debt.

Based on business nature and primary operating location, our research has identified the following companies listed in Hong Kong as comparable companies, with principal business activities and geographic regions similar to the Company. These companies are mainly engaged in provision of construction services and are listed in Hong Kong. The specific selection criteria we used to calculate the comparables are:

- a. All stocks are listed on the Hong Kong Stock Exchange;
- b. All stocks have a reasonable length of listing history i.e. at least 2 years; and
- c. At least 75% of total revenue is generated by construction services in the latest financial year.

In our opinion, the companies described below meet our specific selection criteria mentioned above:

Comparable Companies	Ticker	Place of Business	Place of Listing	Principal Business Activities	Market Cap based on the 90-day average share price (HK\$ in millions)
Hsin Chong Construction Group Limited	404:HK	Hong Kong	Hong Kong	Hsin Chong Construction Group Ltd. is an investment holding company. The Company, along with its subsidiaries, is engaged in building construction, civil engineering construction, electrical and mechanical installation, interiors and special projects, property development and investment, provision of construction/project management consultancy services, and provision of property and facility management services.	1,235

Comparable Companies	Ticker	Place of Business	Place of Listing	Principal Business Activities	Market Cap based on the 90-day average share price (HK\$ in millions)
PYI Corporation Ltd.	498:HK	Hong Kong	Hong Kong	PYI Corporation Limited is an investment holding company. It focuses in land and property development and investment in association with ports and infrastructure development. It is also engaged in ports and infrastructure development and investment, and the operation of ports and logistics facilities, in the Yangtze River region of China.	838
Chinney Alliance Group Limited	385:HK	Hong Kong	Hong Kong	Chinney Alliance Group Limited is an investment holding company. Through its subsidiaries, the Company operates in five segments: plastic and chemical products, building related contracting services, foundation piling and ground investigation, building construction, and others.	267
Baoye Group Company Limited	2355:HK	Hong Kong/ PRC	Hong Kong	Baoye Group Company Limited is engaged in the provision of construction service, manufacture and distribution of building materials and development and sale of properties.	3,781
Build King Holdings Limited	240:HK	Hong Kong	Hong Kong	Build King Holdings Limited is a Hong Kong-based investment holding company, which along with its subsidiaries is engaged in civil engineering work. Its geographical location includes Hong Kong, People's Republic of China and the Middle East. Its activities include buildings, foundations, general civil works, marine works, railway and associated works, structural steel works and tunnels.	175

Comparable Companies	Ticker	Place of Business	Place of Listing	Principal Business Activities	Market Cap based on the 90-day average share price (HK\$ in millions)
Vantage International (Holdings) Limited	15:HK	Hong Kong	Hong Kong	Vantage International (Holdings) Limited is an investment holding company. The Company, along with its subsidiaries, is engaged in the a wide range of construction, civil engineering, maintenance and other contract works in public and private sectors in Hong Kong, as well as property investment and development.	1,230
Yau Lee Holdings Ltd	406:HK	Hong Kong	Hong Kong	Yau Lee Holdings Limited is an investment holding company. The Company, along with its subsidiaries, is engaged in contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials trading, property investment and development, and hotel operations.	657

Source: Bloomberg and Financial Times

Price to Earnings (P/E) Ratio is the price of a share of stock divided by its earnings per share. It is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. P/E ratio is a financial ratio used for valuation: a higher P/E ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower P/E ratio.

The share price is based on the 90-day average share price of the comparable companies on or before the Valuation Date. The 90-day average is used to remove short term volatilities in share prices of the comparable companies before the Valuation Date. The method is in line with the common market basis and one of the sensible industry accepted practices. If a single day share price is used, the share prices' volatility may affect the valuation, and a longer share price average period loses relevance. We have performed analysis on shorter periods i.e. 30, 60 and 90 days and found the results to be very similar (+/-1.5% variation) and not material in relation to the business valuations.

Earnings are based on the average three-year earnings per share of the comparable companies as of Valuation Date. This is the same method used to calculate the company's earnings (e.g. three year average net income). This ensures our calculation method is consistent and on a like-for-like basis.

The P/E ratios of the companies based on information extracted from Bloomberg and Capital IQ as of Valuation Date are as below:

Comparable companies	P/E ratio
Hsin Chong Construction Group Limited	4.93
PYI Corporation Ltd.	3.23
Chinney Alliance Group Limited	8.42
Baoye Group Company Limited	4.49
Build King Holdings Limited	7.05
Vantage International (Holdings) Limited	3.77
Yau Lee Holdings Ltd	11.25
Average	6.16

The average of 6.16 times price to earnings ratio is adopted as the benchmark price to earnings ratio for the valuation of the Company.

According to the International Glossary of Business Valuation Terms, marketability means the relative ease and promptness with which a security or commodity may be sold when desired, at a representative current price, without material concession in price merely because of the necessity of the sale. Investors will price in a discount for the additional costs and risks of liquidation when valuing equity in privately held companies. The Security Exchange Commission, United States of America restricted stock rules required investors to hold such stock for a certain period of time, the difference between prices at which restricted stocks were issued relative to freely traded stocks of the same company are considered a proxy for a marketability discounts for non-publicly traded stock. Hence, the discounts for lack of marketability were found by comparing those restricted stocks before and after the restriction.

Based on nine United States of America benchmark marketability discount studies as shown below, we are of the opinion that an appropriate marketability discount for the purpose of this valuation is 33%. The nine studies are not an exhaustive list, but represent nine of the most commonly referred to marketability discount studies used by the market. These studies are well known in the industry and relevant, therefore meaningful in our opinion. We are not aware of any similar studies performed using Hong Kong or China market data.

SEC overall average / Institutional Investor Study	25.8%
Gelman Study	33.0%
Trout Study	33.5%
Moroney Study	35.6%
Maher Study	35.4%
Standard Research Consultants Study	45.0%
Willamette Management Associates Study	31.2%
Silber Study	33.8%
Management Planning, Inc. Study	27.1%
Average	33.0%

According to financial information provided by the Management, the average three year consolidated net profit of the Company for the 3-year period ended 31st March 2013, in accordance with the Hong Kong Financial Reporting Standards, amounted to HK\$5.3 million. This is derived from the audited net profit in the latest 3 year audited reports. Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollar (HK\$). From our discussions with Management, we are not aware of any material change in the business of the company over the last three years.

The valuation of a 100% equity stake in the Company is hence obtained by multiplying the average price to earnings ratio by the derived average net profit for the 3-year period ended 31st March 2013. A marketability discount of 33% is applied in arriving at a market value of approximately HK\$22.1 million as at Valuation Date. Therefore, a 49% equity stake in the Company is valued at approximately HK\$10.8 million as at Valuation Date.

7. SENSITIVITY ANALYSIS

As equity valuation by market approach involve numerous assumptions, the magnitude of those input parameters may impose significant impacts on the valuation of the equity as at Valuation Date. Sensitivity analyses are performed to assess to what extent the resulting amount will be affected if other input values are asserted into the valuation model.

Sensitivity analysis is performed to assess the impact on our final valuation result of any changes in the three major parameters, marketability discount, market multiple and earnings. Our opinion is based on the final result, not on the sensitivity analysis below as the sensitivity analysis is for reference only. Based on valuation methods and parameters stated above, the results are shown below.

When there are no changes on earnings, the range of values relating to the 49% equity stake in the Company as at Valuation Date are shown below:

(HK\$ '000)		Marketability Discount				
		43%	38%	33%	28%	23%
P/E Multiple	4.16	6,211	6,756	7,301	7,846	8,391
	6.16	9,197	10,003	10,810	11,617	12,423
	7.16	10,689	11,627	12,564	13,502	14,440
	8.16	12,182	13,250	14,319	15,387	16,456

When the earnings increased by 5%, the range of values relating to the 49% equity stake in the Company as at Valuation Date are shown below:

(HK\$ '000)		Marketability Discount				
		43%	38%	33%	28%	23%
P/E Multiple	4.16	6,522	7,094	7,666	8,238	8,810
	5.16	8,089	8,799	9,508	10,218	10,928
	6.16	9,656	10,503	11,350	12,197	13,045
	7.16	11,224	12,208	13,193	14,177	15,162
	8.16	12,791	13,913	15,035	16,157	17,279

When the earnings increased by 10%, the range of values relating to the 49% equity stake in the Company as at Valuation Date are shown below:

(HK\$ '000)		Marketability Discount				
		43%	38%	33%	28%	23%
P/E Multiple	4.16	6,833	7,432	8,031	8,631	9,230
	5.16	8,474	9,218	9,961	10,705	11,448
	6.16	10,116	11,004	11,891	12,778	13,666
	7.16	11,758	12,789	13,821	14,852	15,884
	8.16	13,400	14,575	15,751	16,926	18,101

When the earnings decreased by 5%, the range of values relating to the 49% equity stake in the Company as at Valuation Date are shown below:

(HK\$ '000)		Marketability Discount				
		43%	38%	33%	28%	23%
P/E Multiple	4.16	5,901	6,419	6,936	7,454	7,971
	5.16	7,319	7,961	8,603	9,245	9,887
	6.16	8,737	9,503	10,269	11,036	11,802
	7.16	10,155	11,045	11,936	12,827	13,718
	8.16	11,572	12,588	13,603	14,618	15,633

When the earnings decreased by 10%, the range of values relating to the 49% equity stake in the Company as at Valuation Date are shown below:

(HK\$ '000)		Marketability Discount				
		43%	38%	33%	28%	23%
P/E Multiple	4.16	5,590	6,081	6,571	7,061	7,552
	5.16	6,934	7,542	8,150	8,758	9,366
	6.16	8,277	9,003	9,729	10,455	11,181
	7.16	9,620	10,464	11,308	12,152	12,996
	8.16	10,963	11,925	12,887	13,849	14,810

Subject to the sensitivity analysis, the range of value for the 49% equity stake in the Company as at Valuation Date is between the amount of HK\$5.6 million and HK\$18.1 million.

8. KEY ASSUMPTIONS

We have made certain assumptions in our valuation and the key ones are shown as follows:

- Information provided by the Management accurately reflects the financial and operating position of the Company;
- There will be no adverse changes to the operation of the Company;
- There will not be any material change in political and/or economic conditions under which the Company operates that may adversely affect the valuation;

- The Company has sufficient operational resources to support its ongoing operation;
- There are no other liabilities including any contingent liabilities or unusual contractual obligations or substantial commitments which would have a material effect on the value of the Company. We have discussed with Management, and asked if they had been aware of any other liabilities (e.g. compensation litigation, indemnity and warranties) which may have a material effect on the company, negative replies were obtained;
- There will be no material change in inflation, interest rates or exchange rates from those prevailing as at Valuation Date;
- There will be no material change in the bases or rates of taxation or duties in the localities for the operation of the Company; and
- All relevant legal and administrative approvals as well as business certificates, licenses or permits to operate the business in the localities where the Company operates or plans to operate would be obtained and renewed upon expiry.

9. INFORMATION REVIEWED

In preparing our opinion, we have received and reviewed information from Management and discussed this information with them in detail. We are not aware of any indicator which leads us to believe, that the information does not accurately reflect the operations and/or financial status of the company.

We have relied to a considerable extent on this information in arriving at our opinion, including, but not limited to the following:

- Audited consolidated financial statements of the Company for the years ended 31st March 2009 to 31st March 2013;
- Unaudited consolidated financial statements of the Company for the 5-month period ended 31st August 2012 and 31st August 2013;
- General and historical company information of the Company;
- Discussion with the Management of the Company;
- Research of industry trends and overviews from various research sources;
- Research of general overview of the economy in Hong Kong; and
- Business overview, financial performance, and share price information of comparable companies from Bloomberg and other sources.

For this assignment we have not carried out any work in the nature of a feasibility study nor are we required to express a viability opinion on any proposed transaction. We have not verified or confirmed information provided to us and have assumed that all such information is accurate and is not subject to material error or omission.

The financial statements for the 5-month period ended 31st August 2013 have not been taken into account in our valuation because in view of the substantial fluctuations in the Company's net profit over a three year period, we would consider a 5-month period too short to be incorporated in our valuation.

Some of the information used in this valuation report has been provided by Management. Mr. Victor Fung, who is counter-party to this transaction, was in a meeting we attended with Management. The company secretary of Tysan Holdings Limited was also in attendance. Censere had various opportunities to speak to Management, independent of Mr. Victor Fung during our site visits to foundation and construction sites operated by Tysan.

10. LIMITING CONDITIONS

All work has been performed in accordance with and subject to our Standard Conditions of Engagement, a copy of which has been previously provided. For your reference, we highlight some of the more pertinent points:

- We shall not under any circumstances be liable for damages or for losses that are not direct result of breach of contract or negligence on our part in respect of services provided in connection with or arising out of the engagement set out in this letter (or any variation or addition thereto) or for any consequential losses or loss of profits of whatsoever nature, and in any event, the liability of Censere, its related companies, partners, directors and staff (whether in contract, negligence or otherwise) shall in no circumstances exceed the fees paid specifically for the work in question which allegedly entailed a breach of contract or negligence on our part;
- The exercise was based largely upon information provided by and on behalf of the Management. We assume no responsibility and make no representation with respect to the accuracy or completeness of any information provided by Management or nominated representatives of the Management;
- In no event shall Censere, its related companies, partners, directors and staff be liable for any loss, damage, cost or expense arising in any form or in connection with the fraudulent acts or omissions, or any misrepresentations or any default on the part of the directors, employees or agents of the Management;
- Without derogating from the aforesaid provisions, we shall not under any circumstances whatsoever be liable to any third party whether or not they are shown a copy of any work that we have done pursuant to the terms of our engagement and whether or not we have consented to such work being shown to them, save and except where we specifically agreed in writing to accept such liability;

- Except as a result of our own negligence or wilful default, in the event that we find ourselves subject to a claim or incur legal costs from another party as a result of false or misrepresented information provided by Management in connection with this engagement, any claim established against us and the cost we necessarily incur in defending it would form part of the expenses we would look to recover from the Management.

11. OPINION OF VALUE

Based on our research and analyses, we are of the opinion that market value of the 49% equity stake in the Company as at the Valuation Date is fairly stated in the amount of approximately HK\$10.8 million.

The value of the 49% equity in the Company is only an indicative quantum at which interests might reasonably be expected to be sold as at the Valuation Date, and may be different from the actual transacted price, if any.

We confirm that we have carried out research, made relevant inquiries and obtained such information considered pertinent to this project from the Management. We have obtained assurance from the Management that the information they provided to us accurately reflects the financial and operating position of the Company. We also confirm that we have no present or contemplated interest in the assets which are the subject of this valuation and acting independent of all parties.

Yours faithfully
For and on behalf of
Censere (Far East) Limited
Brett A. Shadbolt
Chief Executive Officer
Registered Business Valuer (Hong Kong)

12. MR BRETT SHADBOLT VALUATION EXPERIENCE

Brett is the founder and CEO of Censere (Far East) Limited. Brett has over 25 years experience in corporate advisory and valuation of financial interests, mining assets, intangible assets and technical plant and machinery and has worked extensively throughout Asia and the South Pacific. Brett is a Registered Business Valuer (Hong Kong).

Mr. Shadbolt has acted as Project Manager and Lead Valuer on many major transactions throughout the Asia Pacific Region for clients such as Advanced Micro Devices, Singapore International Airlines, Thai Petrochemical Industries, ExxonMobil, China Eastern Airlines, Proton Motors, China Southern Airlines, Maanshan Iron & Steel and Dongfeng Motors. He has written numerous articles about valuation and financial due diligence in emerging markets, and is a regular speaker at conferences on the same topics.

Qualifications

MSc in Global Finance — HKUST, Hong Kong/NYU Stern, New York

Certificate in Business Development from Paisley University, Scotland, UK

Diploma in Management Studies from Paisley University, Scotland, UK

Diploma in Business Studies with an endorsement in plant and machinery valuation from Massey University, New Zealand

Hong Kong Securities Institute Diploma

Professional Institution Memberships

Member of AusIMM — Australasian Institute of Mining and Metallurgy

Member of the Hong Kong Securities Institute

Senior Member of the Property Institute of New Zealand

Professional Member of the Royal Institute of Chartered Surveyors

Registered Valuer (Plant & Machinery) New Zealand

Registered Business Valuer (Hong Kong)

Member of the Chartered Institute of Arbitrators

Associate of the New Zealand Institute of Management

13. BACKGROUND OF CENSERE

Censere (Far East) Limited is part of the Censere Group, a company headquartered in Singapore with at least 11 years experience in independent strategic advice, comprehensive technical asset, intellectual property and business valuation services and related support services in Asia Pacific for, amongst others, mergers and acquisitions.

Censere Group has twelve offices throughout Asia Pacific. Offices are located at Auckland, Bangkok, Beijing, Hong Kong, Kuala Lumpur, Maldives, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo. The clients of Censere Group include China Everbright, China Resources, Citigroup and JP Morgan Chase. Censere Group's services include, amongst others, valuation and fairness opinions. Mr. Brett Shadbolt is the Chief Executive Officer of Censere Group.



SOMERLEY LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

25 November 2013

The Board of Directors
Tysan Holdings Limited
20/F, One Island South,
2 Heung Yip Road,
Wong Chuk Hang,
Hong Kong

Dear Sirs,

TYSAN HOLDINGS LIMITED

We refer to the business valuation reports (the “**Reports**”) of Tysan Foundation (Hong Kong) Limited and Tysan Building Construction Company Limited by Censere (Far East) Limited (the “**Business Valuer**”) as set out in Appendix III of this circular, of which this letter forms part. We note that the Reports are to be reported on by the financial adviser under Rule 11 of the Takeovers Code. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

In relation to the Reports, we have reviewed and discussed with the Company and the Business Valuer the qualifications, bases and assumptions adopted by the Business Valuer in the course of its work and have satisfied ourselves that the qualifications, bases and assumptions have been made with due care and objectivity, and on a reasonable basis. We undertook reasonableness checks to assess the relevant experience and expertise of the Business Valuer and have satisfied ourselves that reliance could fairly be placed on its work.

Based on the above, we are satisfied that the Reports have been prepared by the Business Valuer after due care and consideration.

Our opinion has been given for the sole purpose of compliance with Rule 11 of the Takeovers Code and for no other purpose.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman

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 executives in the Company and its associated corporations

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

(i) *Interests in Shares:*

Name	Number of Shares and nature of interest			Total interests	Percentage of the Company's issued share capital ⁽¹⁾ (%)
	Personal interests	Corporate interests	Other interests		
Mr. Francis Cheung	43,607,865	256,325,000 ⁽²⁾	54,247,200 ⁽³⁾	354,180,065	40.49
Mr. Victor Fung	74,867,600	—	—	74,867,600	8.56
Mr. David Chien	101,021,020	—	—	101,021,020	11.55
Miss Jennifer Kwok	20,000,000	—	—	20,000,000	2.29
Mr. Chiu Chin Hung	7,500,000	—	—	7,500,000	0.86
Mr. Tse Man Bun	442,000	—	—	442,000	0.05
Mr. Lau Kin Fai	3,200,000	—	—	3,200,000	0.37
Mr. Jackel Cheung	878,000	—	—	878,000	0.10

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

Name	Name of associated corporations	Number of ordinary shares and nature of interest			Percentage of the associated corporation's issued share capital (%)
		Personal interests	Corporate interests	Total interests	
Mr. Victor Fung	Tysan Building Construction	—	5,202,000 ⁽⁴⁾	5,202,000	51
	Tysan Engineering Company Limited	800	—	800	8
	Tysan Trading	26	—	26	26
Miss Jennifer Kwok	Tysan Trading	24	—	24	24
Mr. Harvey Jackel Cheung	Tysan Building Construction	—	5,202,000 ⁽⁴⁾	5,202,000	51

Notes:

- (1) As at the Latest Practicable Date, the number of issued shares was 874,665,903 Shares.
- (2) 171,237,000 Shares were held by Power Link and 85,088,000 Shares were held by Long Billion. Both of these companies were controlled by Mr. Francis Cheung.
- (3) 33,519,200 Shares were held by Easternfunds and 20,728,000 Shares held by Grand Thunder, the trustees of a discretionary trust, which Mr. Francis Cheung is the founder.
- (4) These Shares were held by Victor Create which was owned as to 60% by Mr. Victor Fung and as to 40% by Mr. Jackel Cheung.

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

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% 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 Tysan Group, or in any options in respect of such share capital were as follows:

Interest in Shares

Name	Number of shares held	Percentage to issued share capital of the Company (%)
Power Link ⁽¹⁾⁽³⁾	171,237,000	19.58
Eastern Glory Development Limited ^{(2) (3)}	256,325,000	29.31
Goldcrest Enterprises Limited ^{(2) (3)}	256,325,000	29.31
Bofield Holdings Limited ^{(2) (3)}	256,325,000	29.31
Long Billion ^{(1) (3)}	85,088,000	9.73

Notes:

- (1) The above interests of Power Link and Long Billion have also been disclosed as corporate interests of Mr. Francis Cheung in the section headed "Interests and short positions of the Directors and chief executives in the Company and its associated corporations" above.
- (2) These parties were deemed to have interests in the 256,325,000 Shares by virtue of their equity interests in Power Link and Long Billion.
- (3) Mr. Francis Cheung, chairman of the Board and an Executive Director, is also a director of each of Power Link, Eastern Glory Development Limited, Goldcrest Enterprises Limited, Bofield Holdings Limited and Long Billion.

Interest in shares of companies which is a member of Tysan Group

Name of shareholder	Name of the member company	Number of shares held	Percentage to issued share capital of the member company (%)
Tysan Building Construction (China)	Great Prosper	20	20
Mr. Wong	Tysan Engineering Company Limited	2,200	22
Metrowide Limited	Jetroyal Limited	150,000	15
Li Siu Yuk	Jetroyal Limited	100,000	10

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% 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 Tysan Group, or any options in respect of such share capital.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with Tysan Group or any other member of Tysan 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 their respective interests set out in the table on pages 13 and 14 of this circular under the paragraph headed "Introduction", since 31 March 2013, being the date of the latest published accounts of the Company, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of Tysan Group, and none of the Directors is interested in any assets which have been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of Tysan Group since the date of the latest published accounts of the Company.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries since 31 March 2013, being the date of the latest published accounts of the Company, none of the Directors and their respective associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of Tysan Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or Tysan Group.

5. LITIGATION

Save for the legal proceedings HCMP 841 of 2013 taken out by Mr. David Chien in the High Court of Hong Kong with the Company named as a respondent, and the legal proceedings HCMP 2892 of 2012 and HCMP 207 of 2013 taken out by Mr. David Chien in the High Court of Hong Kong against the Directors at the relevant time including Mr. Wong (other than Mr. Victor Fung, Mr. David Chien and Mr. Li Kit Chee) as referred to on pages 23 and 24 of the section headed “Letter from the Board” in this circular, as at the Latest Practicable Date, no member of Tysan 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 Tysan Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of Tysan Group since 31 March 2013, the date to which the latest published audited accounts of Tysan Group were made up.

7. MATERIAL CONTRACTS

The following contracts have been entered into by Tysan Group (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular:

- (1) the Rescinded Sale and Purchase Agreement dated 12 November 2012 (as amended) in respect of the sale and purchase of 40% of the issued shares of Tysan Foundation (Hong Kong) entered into between the Company as vendor and Fortunate Pool as purchaser for a consideration of 40% of the net asset value of the Company and its subsidiaries as at 30 September 2012 based on the published interim accounts of the Company and its subsidiaries as at 30 September 2012 and which was rescinded on 30 June 2013;
- (2) the Great Prosper SPA dated 16 August 2013 (as amended on 22 November 2013) entered into between Tysan Building Construction (China) as vendor and Duncan Properties as purchaser in relation to the Great Prosper Acquisition for a consideration of HK\$129,411,764;
- (3) the Tysan Building Construction SPA dated 16 August 2013 (as amended on 22 November 2013) entered into between Tysan Construction as vendor and Mr. Victor Fung as purchaser in relation to the Tysan Building Construction Disposal for a consideration of HK\$17,150,000;
- (4) the Tysan Foundation (Hong Kong) SPA dated 16 August 2013 (and as amended on 18 August 2013 and on 22 November 2013) entered into between the Company as vendor and Fortunate Pool as purchaser in relation to the Tysan Foundation (Hong Kong) Disposal for a consideration of HK\$157,000,000;
- (5) the Tysan Trading SPA dated 16 August 2013 (and as amended on 22 November 2013) entered into between Tysan Investment as vendor and Miss Jennifer Kwok as purchaser in relation to the Tysan Trading Disposal for a consideration of HK\$4,400,000; and

- (6) the Settlement Agreement dated 16 August 2013 and entered into amongst the parties to the Chien Legal Proceedings, namely Mr. David Chien of the one part and Mr. Francis Cheung, Miss Jennifer Kwok, Mr. Chiu Chin Hung, Mr. Wong, Mr. Lau Kin Fai, Mr. Jackey Cheung, Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming George, the Company, Mr. Victor Fung and Fortunate Pool of the other part.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given advice, letter or opinion for incorporation and as contained in this circular:

Name	Qualifications
Censere (Far East) Limited	business valuer
Beijing Dacheng Law Offices, LLP	PRC legal adviser
Somerley Limited	a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Vigers Appraisal and Consulting Limited	independent property valuer

(collectively, the “**Experts**”)

As at the Latest Practicable Date, each of Censere (Far East) Limited, Beijing Dacheng Law Offices, LLP, Somerley Limited and Vigers Appraisal and Consulting Limited, has no shareholding, direct or indirect, in any member of Tysan Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of Tysan Group.

As at the Latest Practicable Date, each of Censere (Far East) Limited, Beijing Dacheng Law Offices, LLP, Somerley Limited and Vigers Appraisal and Consulting Limited has no direct or indirect interests in any assets which have been, since 31 March 2013 (the date to which the latest published audited accounts of Tysan Group were made up), acquired or disposed of by or leased to any member of Tysan Group, or are proposed to be acquired or disposed of by or leased to any member of Tysan Group.

Each of Censere (Far East) Limited, Beijing Dacheng Law Offices, LLP, Somerley Limited and Vigers Appraisal and Consulting Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

9. PROCEDURE TO DEMANDING A POLL

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

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

Pursuant to Rule 13.39 of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll. Therefore, the chairman of the SGM will demand a poll for every resolution put forward at the SGM pursuant to Bye-law 66 of the Bye-laws.

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

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the normal business hours from 9:00 a.m. to 5:30 p.m. (save for Saturday and public holidays) at the head office and principal place of business of the Company in Hong Kong at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong from the date of this circular up to and including the date of the SGM (save for Saturday and public holidays):

- (1) the memorandum of association of the Company and the Bye-laws;
- (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 65 to 108 of this circular;
- (3) the letter from the Independent Board Committee, the text of which is set out on pages 63 and 64 of this circular;
- (4) the property valuation report of the Tianjin Riverside Project from Vigers Appraisal and Consulting Limited, the text of which is set out on pages App II-1 to App II-8 of this circular;
- (5) the business valuation reports of Tysan Foundation (Hong Kong) and Tysan Building Construction from Censere (Far East) Limited, the text of which is set out on pages App III-1 to App III-41 of this circular;
- (6) the written consent given by each of Censere (Far East) Limited, Dacheng Law Offices, the Independent Financial Adviser and Vigers Appraisal and Consulting Limited, as referred to in the paragraph 8 of this appendix;
- (7) the Great Prosper SPA, the Tysan Foundation (Hong Kong) SPA, the Shareholders' Agreement, the Deed of Counter-Indemnity, the Tysan Building Construction SPA, the Tysan Trading SPA and Miss Jennifer Kwok's Service Agreement;
- (8) the annual reports of the Company for the two years ended 31 March 2012 and 2013;
- (9) the material contracts referred to in paragraph 7 in this appendix; and
- (10) 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 Monday, 16 December 2013 at 10 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “Subject to each of the other resolutions set out in this Notice being passed, the conditional sale and purchase agreement dated 16 August 2013 and as amended on 22 November 2013 (the “**Great Prosper 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 Tysan Building Construction (China) Company Limited as the vendor and Duncan Properties Limited as the purchaser for the acquisition of 20% of the issued share capital of Great Prosper Limited and related shareholder’s loan for an aggregate consideration of HK\$129,411,764 be approved, confirmed and ratified, as the case may be.”
2. “Subject to each of the other resolutions set out in this Notice being passed:
 - (i) the conditional sale and purchase agreement dated 16 August 2013, as amended on 18 August 2013 and 22 November 2013 (the “**Tysan Foundation (Hong Kong) SPA**”, a copy of which has been produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purposes of identification and which, for the avoidance of doubt includes the related Shareholders’ Agreement and Deed of Counter-Indemnity contemplated thereby), entered into between the Company as the vendor and Fortunate Pool Limited as the purchaser for the disposal of 40% of the issued share capital of Tysan Foundation (Hong Kong) Limited and the related shareholder’s loan for an aggregate consideration of HK\$157,000,000 be approved, confirmed and ratified, as the case may be; and
 - (ii) the continued provision of the Guarantees and Indemnities (as defined in the circular of which this Notice forms part) after completion of the Tysan Foundation (Hong Kong) SPA subject to an annual maximum amount of HK\$1.25 billion for each of the financial years ending 31 March 2014, 2015 and 2016, be and is approved.”
3. “Subject to each of the other resolutions set out in this Notice being passed, the conditional sale and purchase agreement dated 16 August 2013 and as amended on 22 November 2013 (the “**Tysan Building Construction SPA**”, a copy of which has been produced to the Meeting marked

NOTICE OF SGM

- “C” and signed by the chairman of the Meeting for the purposes of identification), entered into between Tysan Construction Company Limited as the vendor and Mr. Victor Fung as the purchaser for the disposal of 49% of the issued share capital of Tysan Building Construction Company Limited and the related shareholder’s loan for an aggregate consideration of HK\$17,150,000 be and is approved, confirmed and ratified, as the case may be.”
4. “Subject to each of the other resolutions set out in this Notice being passed, the conditional sale and purchase agreement dated 16 August 2013 and as amended on 22 November 2013 (the “**Tysan Trading SPA**”, a copy of which has been produced to the Meeting marked “D” and signed by the chairman of the Meeting for the purposes of identification), entered into between Tysan Investment Limited as the vendor and Miss Jennifer Kwok as the purchaser, in relation to the disposal of 40% of the issued share capital of Tysan Trading Company Limited and the related shareholder’s loan for an aggregate consideration of HK\$4,400,000, be and is approved, confirmed and ratified, as the case may be.”
5. “Subject to each of the other resolutions set out in this Notice being passed, the conditional service agreement dated 16 August 2013 (the “**Miss Jennifer Kwok’s Service Agreement**”, a copy of which has been produced to the Meeting marked “E” and signed by the chairman of the Meeting for the purposes of identification), entered into between Tysan Management Limited as the employer and Miss Jennifer Kwok, as the employee, in relation to the terms of service of Miss Jennifer Kwok, be and is approved, confirmed and ratified, as the case may be.”
6. “Subject to each of the other resolutions set out in this Notice being passed, any one or more of the directors of the Company be authorised, for and on behalf of the Company and any member of its subsidiaries, to take all steps necessary or expedient in his/her/their opinion to approve and implement and/or give effect to the Great Prosper SPA, the Tysan Foundation (Hong Kong) SPA (including the related Shareholders’ Agreement and Deed of Counter-Indemnity contemplated thereby), the Tysan Building Construction SPA, Tysan Trading SPA and/or Miss Jennifer Kwok’s Service Agreement and the respective transactions contemplated thereunder, including, among other things, to sign and deliver for and on behalf of the Company or its relevant subsidiary 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 if the date by which the possible general offer is to become unconditional (as described in the circular of which this Notice forms part) is also extended.”

By order of the Board
TYSAN HOLDINGS LIMITED
CHIU CHIN HUNG
Executive Director

Hong Kong, 25 November 2013

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 at the meeting provided that, if more than one person is so authorised, the authorisation 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 notarially certified copy of that power of attorney or authority, must be deposited with the Company’s principal place of business in Hong Kong at 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.