

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

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

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TYSAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

ON-GOING CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

ADOPTION OF CHINESE CORPORATE NAME

Independent Financial Adviser to the Independent Board Committee



Upbest Securities Company Limited

A letter from the Board is set out on pages 4 to 16 of this circular and a letter from the Independent Board Committee is set out on page 17 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee is set out on pages 18 to 25 of this circular.

A notice convening a special general meeting of Tysan Holdings Limited to be held at 6th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong at 10:00 a.m. on Wednesday, 26 February 2003 is set out on pages 31 to 33 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with Tengis Limited, the branch share registrar of Tysan Holdings Limited in Hong Kong at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

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

4 February 2003

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DEFINITIONS

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

“ANZ”	Australia and New Zealand Banking Group Limited, Hong Kong Branch
“ANZ Asia”	ANZ Asia Limited, a wholly-owned subsidiary of Australia and New Zealand Banking Group Limited
“ANZ Banks”	ANZ and ANZ Asia collectively
“ANZ Guarantee”	the guarantee to be provided by the Company, TFL, TBC and TEHK to ANZ Banks as described in the section headed “III. Connected Transactions — Provision of Guarantees”
“associates”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cap Amount”	5% of the audited consolidated turnover of the Company and its subsidiaries in the preceding financial year
“Company”	Tysan Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“E&M”	electrical and mechanical engineering
“Government”	the Government of the Hong Kong Special Administrative Region
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region
“HSB”	Hang Seng Bank Limited
“HSB Guarantees”	the corporate guarantees provided by the Company to HSB as described in the section headed “III. Connected Transactions — Provision of Guarantees”
“Independent Board Committee”	an independent board committee of the Company comprising Messrs. Fan Chor Ho, Paul and Chau Cham Son

DEFINITIONS

“Independent Financial Adviser” or “Upbest Securities”	Upbest Securities Company Limited, an investment adviser and a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee
“Kam Fai”	Kam Fai Limited, a private company incorporated in the British Virgin Islands and (inclusive of its ultimate beneficial owners) an independent third party not otherwise connected or related with the Company
“Latest Practicable Date”	30 January 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Fung”	Mr. Fung Chiu Chak, Victor, an executive Director of the Company
“Mr. Wong”	Mr. Wong Kay, a director of TE
“New Waiver”	the waiver sought to be granted by the Stock Exchange and referred to under the paragraph headed “New Waiver Application”
“On-going Connected Transactions”	the on-going connected transactions of the Subcontracting Transactions
“Previous Waiver”	the waiver granted by the Stock Exchange on 6 October 1999 and referred to under the paragraph headed “Previous Waiver Application and Grant”
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong
“SGM”	a special general meeting of the Company to be convened to approve the HSB Guarantees, the ANZ Guarantee, the On-going Connected Transactions, the New Waiver application and the adoption of the Chinese corporate name “泰昇集團控股有限公司” in lieu of “泰昇集團有限公司”
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subcontracting Transactions”	subcontracting of building construction works and/or E&M works entered or to be entered into between TBC and TE (or TEHK)
“TBC”	Tysan Building Construction Company Limited, a company owned as to 50% by the Company, as to 35% by Mr. Fung, an executive Director of the Company, and as to 15% by Kam Fai, an independent third party not otherwise related with the Company
“TE”	Tysan Engineering Company Limited, a company owned as to 70% by the Company, as to 8% by Mr. Fung, an executive Director of the Company, as to 17% by Mr. Wong, a director of TE, and as to 5% by Kam Fai, an independent third party not otherwise related with the Company
“TEHK”	Tysan Engineering (HK) Company Limited, a wholly-owned subsidiary of TE
“TFL”	Tysan Foundation Limited, a wholly-owned subsidiary of the Company
“%”	per cent.



TYSAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Executive Directors:

CHEUNG Francis (*Chairman*)
FUNG Chiu Chak, Victor
(Vice Chairman and Managing Director)
LAI Henry
KWOK Jennifer
CHIEN David

Independent Non-Executive Directors:

FAN Chor Ho, Paul
CHAU Cham Son

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

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

6th Floor, Sun Hung Kai Centre
30 Harbour Road
Wan Chai
Hong Kong

4 February 2003

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

Dear Sirs,

**ON-GOING CONNECTED TRANSACTIONS
CONNECTED TRANSACTIONS
ADOPTION OF CHINESE CORPORATE NAME**

I. INTRODUCTION

Summary

The Board announced on 15 January 2003 that the Company's Previous Waiver regarding the Subcontracting Transactions had expired on 31 March 2002. In anticipation that the On-going Connected Transactions will continue to be entered into in the ordinary course of business of TBC and TE (or TEHK), the Company had applied to the Stock Exchange for a New Waiver from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules in respect of the On-going Connected Transactions on each occasion they arise during the three financial years ending 31 March 2005.

LETTER FROM THE BOARD

The Board announced on 15 January 2003 that the Company had provided three guarantees on 18 December 2002 in favour of HSB, and the Company, TFL, TBC and TEHK intended to provide a guarantee in favour of ANZ Banks in order to facilitate TBC and TEHK to obtain a HK\$13 million loan facilities and a HK\$30 million loan facilities from HSB and ANZ respectively. The total amount of the HSB Guarantees is less than 3% of the adjusted consolidated net tangible asset value of the Company as at 30 September 2002. The total amount of the ANZ Guarantee exceeds HK\$10 million and 3% of the adjusted consolidated net tangible asset value of the Company as at 30 September 2002. In view of the aggregate amount involved in the HSB Guarantees and the ANZ Guarantee, both transactions will be disclosed and for which independent Shareholders' approval will be sought.

The Board announced on 28 August 2002 that a special resolution to approve the adoption of a Chinese name “泰昇集團有限公司” for registration in Hong Kong as the Company's Chinese corporate name was duly passed at the Annual General Meeting of the Company held on 28 August 2002. However, upon receipt of the notification of the Hong Kong Companies Registry dated 13 September 2002 that the aforesaid Chinese name had already been registered by a private company unconnected with the Company, the Board is of the view that it would be impossible, inappropriate or impracticable for the aforesaid Chinese name to be registered under Part XI of the Companies Ordinance as the Company's Chinese corporate name. Under these premises, the Board now proposes to adopt “泰昇集團控股有限公司” as the Chinese corporate name of the Company for the purpose of registration in Hong Kong in lieu of the aforesaid Chinese name. A special resolution regarding such adoption will be proposed at the SGM.

II. APPLICATION FOR WAIVER IN RESPECT OF SUBCONTRACTING OF BUILDING CONSTRUCTION WORKS AND E&M WORKS

A. The Connected Transaction on 1 June 1999

Date of the transaction: 1 June 1999

Parties: TBC (a company owned as to 50% by the Company, as to 35% by Mr. Fung, an executive Director of the Company, and as to 15% by Kam Fai, an independent third party not otherwise connected or related with the Company) and TE (a company owned as to 70% by the Company, as to 8% by Mr. Fung, as to 17% by Mr. Wong, a director of TE, and as to 5% by Kam Fai, an independent third party not otherwise connected or related with the Company)

Amount: HK\$26.8 million

Nature of transaction: Subcontracting of E&M works by TBC to TE

As announced by the Company on 9 September 1999, on 1 June 1999, TBC subcontracted to TE E&M works of about HK\$26,800,000 in relation to a contract entered into between TBC and International Hope Limited, an independent third party not related with the Company, in relation to a building construction project.

B. Previous Waiver Application and Grant

The principal business of TBC is in the provision of building construction works. TBC has no subsidiary. The principal business of TE is the provision of E&M works and investment holding and the principal business of TEHK, a wholly-owned subsidiary of TE, is in the provision of E&M works. TE has no other active subsidiary.

Since it is not uncommon for projects granted to or undertaken by TBC or TE (or TEHK) to involve both building construction works and E&M works, the subcontracting of E&M works by TBC to TE (or TEHK) or vice versa by TE (or TEHK) to TBC in respect of building construction works would provide the Company with better competitive edge over its competitors and control of the subject projects. The joint efforts of TBC and TE (and TEHK) would also provide to the clients concerned a more comprehensive and coordinated service in the common interest of TBC, TE, TEHK and the Company.

Since TBC is owned as to 35% by Mr. Fung, an executive Director of the Company (and as to 50% by the Company and 15% by Kam Fai, an independent third party not otherwise related with the Company), and TE is owned as to 8% by Mr. Fung and 17% by Mr. Wong, a director of TE (and as to 70% by the Company and 5% by Kam Fai, an independent third party not otherwise connected or related with the Company), the Subcontracting Transactions constitute connected transactions for the Company under the Listing Rules.

Since such Subcontracting Transactions between TBC and TE (or TEHK) would continue on an on-going basis, the Company made a waiver application to the Stock Exchange. On 6 October 1999, the Company was granted a waiver from strict compliance with the requirements of disclosure by way of press notice, circular to Shareholders, and/or Shareholders' approval as stipulated in Chapter 14 of the Listing Rules in connection with such Subcontracting Transactions on each occasion they arise for a period of three years ended 31 March 2002 in respect of subcontracting of building construction works or E&M works between TBC and TE or their respective wholly-owned subsidiaries provided that, inter alia, the aggregate amount of such Subcontracting Transactions would not exceed the amount of 5% of the audited consolidated turnover of the Group in the preceding financial year in any of the three financial years ended 31 March 2002.

LETTER FROM THE BOARD

C. Details of the Subcontracting Transactions during the past five financial years

During the past five financial years, the following Subcontracting Transactions were entered into:

<u>Periods concerned</u>	<u>Parties and amounts involved</u>
Year ended 31 March 1998:	TE subcontracted building construction works of about HK\$35.5 million in contract sum to TBC (representing 4.62% of the net tangible asset value of the Company as at 31 March 1997, and 4.8% (below 5%) of the audited consolidated turnover of the Group in the preceding financial year ended 31 March 1997)
Year ended 31 March 1999:	Nil
Year ended 31 March 2000:	As stated above, TBC subcontracted E&M works to TE on 1 June 1999 involving an amount of HK\$26.8 million (representing 4.15% of the net tangible asset value of the Company as at 31 March 1999, and 2.5% (below 5%) of the audited consolidated turnover of the Group in the preceding financial year ended 31 March 1999)
Year ended 31 March 2001:	TBC subcontracted E&M works totalling about HK\$15.8 million in contract sums to TEHK (representing in total 2.4% of the net tangible asset value of the Company as at 31 March 2000, and 1.4% (below 5%) of the audited consolidated turnover of the Group in the preceding financial year ended 31 March 2000)
Year ended 31 March 2002:	TBC subcontracted E&M works of about HK\$5.3 million in contract sum to TEHK (representing 0.82% of the net tangible asset value of the Company as at 31 March 2001, and 0.54% (below 5%) of the audited consolidated turnover of the Group in the preceding financial year ended 31 March 2001)
1 April 2002 up to the Latest Practicable Date:	Nil

LETTER FROM THE BOARD

In respect of the Subcontracting Transactions in the past five financial years ended 31 March 2002, when an independent employer awarded a contract to TBC which involved building construction as well as E&M works, TBC then passed the employer's E&M requirements to TEHK and other third parties for their respective quote or tender. TBC would ultimately subcontract the E&M works to either TE or other independent E&M companies taking into consideration, inter alia, their quotes or tenders as well as their expertise and performance records in the past. In a similar manner, TE or TEHK might subcontract certain building construction works to TBC if it is awarded a contract involving both building construction works as well as E&M works. TBC or TE (or TEHK), as the case may be, would be treated equally with the other independent companies on normal commercial terms and without markups or a fixed basis of charges.

The above-mentioned Subcontracting Transactions were therefore entered into in the ordinary course of business of TBC, TE and TEHK and on normal commercial terms. The Directors (including the independent non-executive Directors) are of the view that the Subcontracting Transactions were entered into on normal commercial terms and were fair and reasonable so far as the Shareholders are concerned and are in the best interest of the Company and the Shareholders as a whole.

D. New Waiver Application

The Directors expect that the Subcontracting Transactions will continue to be entered into between TBC and TE (or TEHK) on an on-going basis in the ordinary course of business of TBC, TE and TEHK and on normal commercial terms in a similar manner and mechanism as for the Subcontracting Transactions entered into in the five financial years ended 31 March 2002. As the On-going Connected Transactions will be of a continuing nature and will occur on a regular basis, strict compliance with the requirements as connected transactions under Chapter 14 of the Listing Rules would be impractical and unduly burdensome for the Company and the costs involved in complying with such requirements would not be beneficial to the Shareholders.

In the past few years, due to the downturn of the economy and accordingly the construction industry, the subcontracting works were not as high as it had been expected. As a result, the historical figures were substantially below the Cap Amount, and most of the building construction works undertaken by the Group were awarded to TBC and save for the year 1998, there had been no Subcontracting Transactions by TE in favour of TBC in respect of building construction works. However, for the coming years, and considering the continuous efforts of the Government to improve the economy of Hong Kong which would benefit the construction industry, the Directors anticipate that the building construction and E&M sectors would improve, and based on the experience of the Company, it would be in the interest of the Company to be granted a Cap Amount of 5% of the audited consolidated turnover of the Company and its subsidiaries in the preceding financial year for the aggregate of "building construction works" and "E&M works" to maintain flexibility and so that frequent and costly announcements and Shareholders' meetings in the event that the Cap Amount is exceeded could be avoided in the interests of the Company and its Shareholders.

LETTER FROM THE BOARD

As a result, the Company has applied to the Stock Exchange for a New Waiver from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules in respect of the On-going Connected Transactions during the three financial years ending 31 March 2005 (dispensing on each occasion they arise with the need to obtain approval of the Shareholders, and with disclosure by way of press notice or circular to Shareholders, or the appointment of an independent financial adviser to advise in relation to the same) subject to the following conditions:

- (1) that the On-going Connected Transactions shall be:
 - (i) entered into between TBC and TE (or TEHK) in the ordinary and usual course of their business;
 - (ii) conducted either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders are concerned; and
 - (iii) entered into either (a) in accordance with the terms of the agreements governing such On-going Connected Transactions or (b) (where there are no such agreements) on terms no less favourable than those available to or from independent third parties;
- (2)
 - (i) the aggregate amount of the On-going Connected Transactions subcontracted by TBC to TE (or TEHK) in respect of E&M works for each financial year of the Company shall not exceed the Cap Amount;
 - (ii) the aggregate amount of the On-going Connected Transactions subcontracted by TE (or TEHK) to TBC in respect of building construction works for each financial year of the Company shall not exceed the Cap Amount; and
 - (iii) the aggregate amount of the On-going Connected Transactions in paragraphs (2)(i) and (2)(ii) above for each financial year of the Company shall not exceed the Cap Amount;
- (3) the independent non-executive Directors of the Company shall review the On-going Connected Transactions annually and confirm in the Company's next annual report for the financial year concerned that these were conducted in the manner as stated in paragraphs (1) and (2) above;
- (4) the Company's auditors shall review the On-going Connected Transactions annually and confirm in a letter (the "Letter") to the Board (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating that:
 - (i) the On-going Connected Transactions have received approval of the Company's Board;

LETTER FROM THE BOARD

- (ii) the On-going Connected Transactions have been carried out in accordance with the Company's pricing policies (if any, and where applicable) as stated in the Company's financial statements;
- (iii) the On-going Connected Transactions have been entered into in accordance with the terms of the agreements governing the Subcontracting Transactions or, if there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
- (iv) the Cap Amount in each of paragraphs (2)(i), (2)(ii) and (2)(iii) above has not been exceeded.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Listing Division immediately.

- (5) details of the On-going Connected Transactions in each financial year shall be disclosed as required under Rule 14.25(1)(A) to (D) of the Listing Rules in the annual report of the Company for the financial year concerned together with a statement of the opinion of the independent non-executive directors and the auditors of the Company referred to in paragraphs (3) and (4) above; and
- (6) the Company, TBC and TE shall provide to the Stock Exchange an undertaking that, for so long as the Company's shares are listed on the Stock Exchange, they will provide the Company's auditors with full access to their relevant records for the purpose of the auditors' review of the On-going Connected Transactions referred to in paragraph (4) above.

III. CONNECTED TRANSACTIONS — PROVISION OF GUARANTEES

HSB Guarantees

Date of HSB Guarantees: 18 December 2002

Borrower: TFL (a wholly-owned subsidiary of the Company whose principal business is the provision of foundation piling works), TBC (a company owned as to 50% by the Company, as to 35% by Mr. Fung, an executive Director of the Company, and as to 15% by Kam Fai, an independent third party not otherwise connected or related with the Company) and TEHK (a wholly-owned subsidiary of TE, and accordingly a 70% owned subsidiary of the Company)

Lender: HSB

Guarantor: The Company

LETTER FROM THE BOARD

Aggregate Loan Facilities: HK\$13 million

Duration: From the date of execution until the expiry of three months after the receipt by HSB from the Company of a notice of termination of the HSB Guarantee concerned

On 18 December 2002, the Company provided three guarantees in favour of HSB, an independent party not connected with the directors, chief executives, substantial shareholders of the Company, its subsidiaries and any of their respective associates, in respect of the following loan facilities (all on normal commercial terms and in the ordinary course of business):

- (a) a HK\$10 million loan facilities for establishment of documentary letters of credit and covering import of goods and acceptance of bills drawn and for trust receipt facility relating to goods imported and financed under the documentary letters of credit to be granted to TFL, TBC and TEHK for their several and/or combined use without any sub-limits (the “1st HSB Guarantee”);
- (b) a HK\$1.5 million loan facility for overdraft facility to be granted to TBC (the “2nd HSB Guarantee”); and
- (c) a HK\$1.5 million loan facility for overdraft facility to be granted to TEHK (the “3rd HSB Guarantee”) (together the “HSB Guarantees”).

The loan facilities to be granted will be on normal commercial terms and in the ordinary course of business and will provide financial support to TFL, TBC and TEHK in their commercial operations.

Save as disclosed above, no other corporate guarantee has been given by the Group in favour of HSB in respect of the liabilities of TBC and TE (or TEHK).

The maximum liability of the Company, in the event that TFL, TBC and TEHK are unable to make full repayment of their loans under the 1st HSB Guarantee, is limited to the amount of HK\$10 million.

The maximum liability of the Company, in the event that TBC is unable to make full repayment of its loans concerned under the 2nd HSB Guarantee, is limited to the amount of HK\$1.5 million.

The maximum liability of the Company, in the event that TEHK is unable to make full repayment of its loans concerned under the 3rd HSB Guarantee, is limited to the amount of HK\$1.5 million.

LETTER FROM THE BOARD

The liabilities incurred by the subsidiaries concerned for debts incurred under the HSB Guarantees are several. Any additional amount of liabilities incurred by the subsidiaries concerned over and above the aforesaid limit of liability of the Company under the HSB Guarantees would have to be borne by the respective subsidiaries concerned, which are each primarily severally liable for the indebtedness incurred by itself under the loan or facility granted to it against each of the HSB Guarantees.

Since the total loan limit granted by HSB to TFL, TBC and TEHK amounted to HK\$13 million, the maximum liability of the Company, in the event that TFL, TBC and TEHK are unable to make full repayment of the loans concerned, under the HSB Guarantees, is limited to the amount of HK\$13 million, representing about 1.9% of the Company's adjusted net tangible asset value as at 30 September 2002 (being the Company's net tangible asset value as at 31 March 2002 adjusted to take into account the unaudited interim profit for the six months ended 30 September 2002).

The remaining shareholders of TBC and TE have provided a pro rata counter indemnity to the Company in respect of the HSB Guarantees such that the liabilities arising from the loans will be shared among all shareholders of TBC and TE respectively.

No guarantee fee, security or other form of remuneration will be provided to the Company by TFL, TBC, TE and TEHK or any of them.

ANZ Guarantee

Date of ANZ Guarantee:	To be ascertained after obtaining approval of the Shareholders in the SGM
Borrower:	TFL (a wholly-owned subsidiary of the Company), TBC (a company owned as to 50% by the Company, as to 35% by Mr. Fung, an executive Director of the Company, and as to 15% by Kam Fai, an independent third party not otherwise connected or related with the Company) and TEHK (a wholly-owned subsidiary of TE, and accordingly a 70% owned subsidiary of the Company)
Lender:	ANZ
Guarantor:	The Company
Aggregate Loan Facilities:	HK\$60 million (within which a total sub-limit of HK\$30 million is to be established for TBC and TEHK for their several and/or combined use, there being no sub-limit established for TFL)
Duration:	From the date of execution until discharge by ANZ

The loan or financial facilities to be granted will be on normal commercial terms and in the ordinary course of business and will provide financial support to TFL, TBC and TEHK in their commercial operations.

LETTER FROM THE BOARD

The Company is required to provide a guarantee in favour of ANZ (being the Hong Kong branch office of Australia and New Zealand Banking Group Limited, a company incorporated in Australia) and ANZ Asia (a wholly-owned subsidiary of Australia and New Zealand Banking Group Limited) (together “ANZ Banks”), independent parties not connected with the directors, chief executives, substantial shareholders of the Company, its subsidiaries and any of their respective associates, as security for an aggregate of HK\$60 million loan or financial facilities (within which a total sub-limit of HK\$30 million is to be established for TBC and TEHK, there being no sub-limit established for TFL), for multi-option facility (which comprises the establishment of import letter of credit, import and trust receipts loans and short term revolving loans) and bonding facility (which comprises the issuance of performance bonds, on-demand/unconditional bonds, bid bonds or tender bonds) to be granted by ANZ to TFL, TBC and TEHK to facilitate the purchase of materials, machinery or equipments, the provision of short term working capital and the issuance of bonds by ANZ in respect of construction projects.

TFL, TBC and TEHK, as borrowers, will also provide joint and several guarantee in the same ANZ Guarantee to ANZ Banks in respect of each and all of the indebtedness of TFL, TBC and TEHK, up to the aggregate extent of HK\$30 million in the case of the guarantee by TBC and TEHK together, and up to the aggregate amount of HK\$60 million in the case of the guarantee by TFL.

The maximum aggregate liability of the Company and TFL under the ANZ Guarantee is limited to HK\$60 million, within which up to HK\$30 million is attributable to loans or financial facilities to be granted to TBC and TEHK (being the total sub-limit referred to in the above), representing about 4.4% of the Company’s adjusted net tangible asset value as at 30 September 2002 (being the Company’s net tangible asset value as at 31 March 2002 adjusted to take into account the unaudited interim profit for the six months ended 30 September 2002).

The remaining shareholders of TBC and TE will provide a pro rata counter indemnity to the Company in respect of the ANZ Guarantee such that the liabilities arising from the respective loans to each of TBC and TEHK will be shared among all the shareholders of TBC and TE respectively.

No guarantee fee, security or other form of remuneration will be provided to the Company by TFL, TBC, TE and TEHK or any of them in respect of the ANZ Guarantee.

HSB and ANZ are identified since they are long term bankers of the Company. The Directors are of the view that the rates and terms of the loan facilities above are similar to other banks and are on normal commercial terms. Neither HSB nor ANZ has any shareholding in the Company.

Listing Rules Requirement

As the granting of the HSB Guarantees and the ANZ Guarantee are regarded as granting of indemnity or financial assistance in favour of its non-wholly owned subsidiaries, TBC and TE, in which Mr. Fung and/or Mr. Wong, as the Company’s connected persons (being respectively an executive Director of the Company and a director of TE), are shareholders, as the case may be, such transactions constitute connected transactions under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

The total amount of loan facilities to be advanced by HSB to TBC and TEHK against the HSB Guarantees, and accordingly the liability of the Company thereby incurred, is less than 3% of the adjusted consolidated net tangible asset value of the Company as at 30 September 2002.

The total amount of loan facilities to be advanced by ANZ to TBC and TEHK against the ANZ Guarantee, and accordingly the liability of the Company thereby incurred, exceeds HK\$10 million and 3% of the adjusted consolidated net tangible asset value of the Company as at 30 September 2002.

The aggregate amount of loan facilities to be advanced to TBC and TEHK against the HSB Guarantees and the ANZ Guarantee is HK\$43 million, representing about 6.4% of the adjusted consolidated net tangible asset value of the Company as at 30 September 2002. Both transactions will be disclosed and for which independent Shareholders' approval will be sought pursuant to Rule 14.26 of the Listing Rules.

Reasons and Benefits of the Connected Transactions

The HSB Guarantees and ANZ Guarantee were provided or to be provided, as the case may be, to enable TFL, TBC and TE to obtain the loans from the banks in support for its normal commercial operations such as, without limitation, the establishment of documentary letters of credit and trust receipt facility, the provision of short term working capital, the purchase of materials, machineries and equipments and to facilitate the issuance of performance bonds and tender bonds and other bonds by the banks concerned.

Given the prevailing relatively low interest rates offered by the banks, it is beneficial for the Company, TFL, TBC and TE to make use of bank borrowings rather than other forms of financing such as equity or Shareholders' loan due to lower funding cost.

In granting the loans, the said banks require the Company to provide the HSB Guarantees and the ANZ Guarantee.

The Directors are of the view that the HSB Guarantees and ANZ Guarantee, as required by the said banks as a condition for granting the aforesaid loan facilities, are in the interest of the Company and its Shareholders, as the provision of the HSB Guarantees and the ANZ Guarantee by the Company will enable TBC and TEHK to obtain loans in the existing relatively low interest rate market at lower funding cost, thereby improving the overall margin while providing financial support to their operations, and this will in turn ultimately benefit the Company as TBC and TEHK are subsidiaries of the Company.

The said banks did not ask for and did not accept guarantees from the other shareholders on a several basis as security for the banking facilities concerned. It is common for banks to require a sole or joint and several guarantee to be given by the ultimate listed holding company because they are more confident in the financial position of the listed company and therefore consider it to be a better security for their loans. Also, guarantee on several basis (instead of on joint and several basis) is usually not acceptable to the banks and were not accepted by the said banks. As such, the guarantees by the Company are included by HSB and ANZ Banks as an essential pre-condition for granting the banking facilities.

LETTER FROM THE BOARD

In the circumstances explained above, the Directors are of the view that the above transactions involving the HSB Guarantees and the ANZ Guarantee are in the best interest of the Group and the Shareholders as a whole.

IV. ADOPTION OF CHINESE CORPORATE NAME

The Board announced on 28 August 2002 that a special resolution to approve the adoption of a Chinese name “泰昇集團有限公司” for registration in Hong Kong as the Company’s Chinese corporate name was duly passed at the Annual General Meeting of the Company held on 28 August 2002. However, upon receipt of the notification of the Hong Kong Companies Registry dated 13 September 2002 that the aforesaid Chinese name had already been registered by a private company unconnected with the Company, the Board is of the view that it would be impossible, inappropriate or impracticable for the aforesaid Chinese name to be registered under Part XI of the Companies Ordinance as the Chinese corporate name of the Company. Under these premises, the Board now proposes to adopt “泰昇集團控股有限公司” as the Chinese corporate name of the Company for the purpose of registration in Hong Kong in lieu of the aforesaid Chinese name. A special resolution regarding such adoption will be proposed at the SGM.

The proposed adoption of the aforesaid Chinese corporate name will not have any effect on the rights and interests of the Shareholders. The existing share certificates of the Shareholders bearing only the corporate name of the Company in English shall continue to be evidence of title to the Shares concerned and be accepted for trading and settlement purposes. Accordingly, there would not be any arrangement for free exchange of share certificates upon obtaining approval of the registration of the Company’s Chinese corporate name from the Registrar of Companies in Hong Kong.

An announcement will be made by the Company informing Shareholders of the effective date of the Company’s adoption of the aforesaid Chinese corporate name and its trading stock short name.

V. THE SGM

Notice of the SGM is set out on pages 31 to 33 of this circular. At the SGM, ordinary resolutions will be proposed to approve (i) the On-going Connected Transactions; (ii) the New Waiver application; (iii) the HSB Guarantees; and (iv) the ANZ Guarantee; and a special resolution will be proposed to approve (i) the adoption of the Chinese corporate name “泰昇集團控股有限公司” in lieu of “泰昇集團有限公司”. Mr. Fung, Mr. Wong and other shareholders of TBC, TE and TEHK and their respective associates will abstain from voting on the ordinary resolutions (i), (ii), (iii) and (iv) in the SGM.

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 branch share registrar, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wan Chai, 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.

LETTER FROM THE BOARD

VI. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 of this circular which contains its recommendation to the independent Shareholders as to voting at the SGM regarding the approval of the ordinary resolutions on (i) the On-going Connected Transactions; (ii) the New Waiver application; (iii) the HSB Guarantees; and (iv) the ANZ Guarantee. Your attention is also drawn to the letter of advice received from the Independent Financial Adviser which contains, among other matters, its advice to the Independent Board Committee in relation to the On-going Connected Transactions, the New Waiver application, the HSB Guarantees and the ANZ Guarantee and the principal factors and reasons considered by it in concluding its advice. The letter from the Independent Financial Adviser is set out on pages 18 to 25 of this circular.

VII. ADDITIONAL INFORMATION

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

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



TYSAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

To the independent Shareholders

4 February 2003

Dear Sirs,

**ON-GOING CONNECTED TRANSACTIONS
CONNECTED TRANSACTIONS**

We refer to the circular to the Shareholders dated 4 February 2003 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the section headed “Definitions” of the Circular.

We have been appointed by the Board to consider the terms of the On-going Connected Transactions, the New Waiver application, the HSB Guarantees and the ANZ Guarantee and to advise the independent Shareholders in connection with the approval of the On-going Connected Transactions, the New Waiver application, the HSB Guarantees and the ANZ Guarantee as to whether they are fair and reasonable so far as the independent Shareholders are concerned.

We wish to draw your attention to the letter from the Board set out on pages 4 to 16 of the Circular and the letter of advice from the Independent Financial Adviser as set out on pages 18 to 25 of the Circular.

Having considered, among other matters, the principal factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice, we consider that the On-going Connected Transactions, the New Waiver application, the HSB Guarantees and the ANZ Guarantee are on normal commercial terms, in the interest of the Group and the independent Shareholders as a whole, and the terms thereof are fair and reasonable so far as the independent Shareholders are concerned. Accordingly, we recommend the independent Shareholders to vote in favour of the ordinary resolutions in relation to the approval of the On-going Connected Transactions, the New Waiver application, the HSB Guarantees and the ANZ Guarantee, particulars of which are set out in the notice convening the SGM set out on pages 31 to 33 of the Circular, to be proposed at the SGM or any adjournment thereof.

Yours faithfully,

Independent Board Committee of
Tysan Holdings Limited

FAN Chor Ho, Paul **CHAU Cham Son**
Director *Director*



Upbest Securities Company Limited

4 February 2003

The Independent Board Committee
Tysan Holdings Limited
6th Floor, Sun Hung Kai Centre
30 Harbour Road
Wan Chai
Hong Kong

Dear Sirs,

**ON-GOING CONNECTED TRANSACTIONS
CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to the announcement (the “Announcement”) made by Tysan Holdings Limited (the “Company”) dated 15 January 2003 in relation to, inter alia, the proposed on-going connected transactions (the “On-going Connected Transactions”), the application by the Company to the Stock Exchange in respect of a conditional and continuous waiver from strict compliance with the stipulations contained in Chapter 14 of the Listing Rules in respect of the On-going Connected Transactions for the three financial years ending 31 March 2005 (the “New Waiver”), and the proposed provision of guarantees (the “Connected Transactions”) which involve the provision by the Company and certain of its subsidiaries of guarantees to Hang Seng Bank Limited (“HSB”) (the “HSB Guarantees”) and Australia and New Zealand Banking Group Limited, Hong Kong Branch (“ANZ”) and ANZ Asia Limited (collectively “ANZ Banks”) (the “ANZ Guarantee”) in respect of banking facilities made available to the Company’s subsidiaries, Tysan Foundation Limited (“TFL”), Tysan Building Construction Company Limited (“TBC”) and Tysan Engineering (HK) Company Limited (“TEHK”). Capitalised terms used in this letter shall have the same meanings ascribed to them in the circular dated 4 February 2003 (the “Circular”) of which this letter forms part unless the context otherwise requires.

Details of the On-going Connected Transactions, the New Waiver application, the HSB Guarantees and the ANZ Guarantee are referred to in the letter from the Board as set out on pages 4 to 16 of the Circular. Under Rule 14.26(6) of the Listing Rules, the provision of the guarantees by the Company and its subsidiaries will constitute connected transactions and shall require the approval of the independent Shareholders of the Company.

As the independent financial adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee for it to advise the independent Shareholders as to whether the terms and conditions of the On-going Connected Transactions, the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

application for the New Waiver, the HSB Guarantees and the ANZ Guarantee are fair and reasonable so far as the independent Shareholders are concerned, and whether the On-going Connected Transactions, the New Waiver application, the HSB Guarantees and the ANZ Guarantee are in the interests of the Group and the independent Shareholders as a whole.

BASIS OF OUR OPINION

In forming our opinion, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and which the Directors consider to be complete and relevant. We have also assumed that all statements, information and representations made or referred to in the Circular were true and correct in all respects at the time they were made and continued to be true and correct in all respects as at the date of dispatch of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular are reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular. We consider that we have received and considered sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to suspect that any material information has been withheld by the Company. We have not, however, carried out any independent verification of the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. On-going Connected Transactions

In arriving at our opinion in respect of the On-going Connected Transactions, we have taken into account the following principal factors and reasons.

(a) Reasons for the On-going Connected Transactions

The reasons for the On-going Connected Transactions have been set out in the letter from the Board.

The Board intends that the transactions between TBC and Tysan Engineering Company Limited (“TE”) (or TEHK) will continue to be entered into in the ordinary course of business of TBC, TE and TEHK and on normal commercial terms. It would be impracticable to comply with the disclosure requirement or shareholders’ approval prior to entering into the On-going Connected Transactions. The Board has therefore applied to the Stock Exchange for a conditional and continuous waiver from strict compliance with the stipulations as are set out in Chapter 14 of the Listing Rules in respect of the On-going Connected Transactions.

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We consider that such a waiver would enable the Company to execute the On-going Connected Transactions with flexibility and in an efficient and cost effective way.

(b) *Basis for the Cap Amount*

It is one of the conditions that the aggregate amount of the On-going Connected Transactions for each financial year of the Company shall not exceed the amount of 5% of the audited consolidated turnover of the Group in the preceding financial year (the “Cap Amount”).

Based on the audited account of the five preceding years, the Cap Amount were as follows:

Audited consolidated turnover as per annual report HK\$	Cap Amount (5% thereon) HK\$	Aggregate amount of the On-going Connected Transactions actually incurred HK\$	On-going Connected Transactions relative to the turnover in preceding financial year (%)
1,500,079,000 (for 2002)	75,003,950 (for 2003)	(Note) (for 2003)	(Note)
981,227,000 (for 2001)	49,061,350 (for 2002)	5,300,000 (for 2002)	0.54%
1,141,181,000 (for 2000)	57,059,050 (for 2001)	15,800,000 (for 2001)	1.38%
1,071,934,000 (for 1999)	53,596,700 (for 2000)	26,800,000 (for 2000)	2.50%
1,402,675,000 (for 1998)	70,133,750 (for 1999)	Nil (for 1999)	—
735,956,000 (for 1997)	36,797,800 (for 1998)	35,500,000 (for 1998)	4.82%

Note: Nil as from 1 April 2002 up to the Latest Practicable Date.

According to the Directors, it is not uncommon for the similar size companies in the industry and TBC to have contracts involving building works to be in the range of HK\$100 to HK\$200 million. Based on projects awarded to TBC in the past, contracts involving building construction works and E&M works awarded to TBC ranged between HK\$100 million to HK\$200 million, and when TBC was awarded such contract it would subcontract E&M works, which amounted to 30% to 50% of the contract works, to the other parties (ie. TE, TEHK or other independent subcontractors). When TBC is to be awarded a main contract including E&M works and subcontracts the whole of the E&M works to TE (or TEHK), the contract sum of E&M works could range from HK\$5 million to HK\$70 million. In respect of E&M works, based on projects awarded to TE or TEHK in the past, it is not uncommon for TE (or TEHK) to have contracts involving E&M works to attain the contract sum of HK\$5 million to HK\$70 million each. For the five preceding financial years ended 31 March 2002, the aggregate amount of the subcontract works awarded to the connected parties actually incurred relative to the turnover in the preceding year ranged from nil to approximately 4.82%. Therefore the Cap Amount of 5% is considered to be reasonable.

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In the past, it is not common that TE or TEHK was awarded a contract which required TE or TEHK to subcontract out building construction works. However, there is still the possibility that contract which requires building construction works is won by TE or TEHK. In order to allow TBC to submit tender and act as subcontractor of the building construction works, a waiver covering the subcontracting of building construction works by TE or TEHK to TBC is necessary for the Group in order to avoid the necessity of the Company to apply a waiver and to seek Shareholders' approval for such connected transactions when it arises. To apply a waiver then will not only delay the process of inviting TBC to submit tender, it will also be burdensome and costly to the Company. The Company would have to apply for a waiver to allow transactions between TBC and TE or TEHK in relation to the subcontracting of building construction works and/or E&M works by one company to the other.

We have been advised by the Directors that the Cap Amount has been arrived at with reference to: (i) the size of a contract anticipated in the normal course of business of the Company's clients with reference to the past record of the respective subsidiaries, (ii) the value of the transactions between TBC and TE (or TEHK) that took place in each of the five financial years ended 31 March 2002; and (iii) the consolidated annual turnover of the Group which amounted to about HK\$1.5 billion for the financial year ended 31 March 2002.

(c) Benefits of the On-going Connected Transactions and New Waiver Application

It is not uncommon for projects granted to or undertaken by TBC or TE (or TEHK) to involve both building construction works and E&M works so that the one who awards the project can minimise its administrative work. The subcontracting of E&M works by TBC to TE (or TEHK) or vice versa by TE (or TEHK) to TBC in respect of building construction works would provide the Company with better competitive edge and control of the subject projects. The joint efforts of TBC and TE (and TEHK) would also provide to the clients concerned a more comprehensive and coordinated service in the common interest of TBC, TE, TEHK and the Company.

In respect of the subcontracting transactions in the past five financial years ended 31 March 2002, when an independent employer awarded a contract to TBC which involved building construction as well as E&M works, TBC passed the employer's E&M requirements to TEHK and other third parties for their respective quote or tender. TBC would ultimately subcontract the E&M works to either TE or other independent E&M companies taking into consideration, inter alia, their quotes or tenders as well as their expertise and performance records in the past. In a similar manner, TE or TEHK might subcontract certain building construction works to TBC if it is awarded a contract involving both building construction works as well as E&M works. TBC or TE (or TEHK), as the case may be, would be treated equally with the other independent companies on normal commercial terms and without markups or a fixed basis of charges.

In selecting the subcontractor to carry out the subcontracting works, TBC, TE or TEHK (as appropriate for the case) will take into consideration, inter alia, their quotes or tenders, methods of the construction works proposed, reputation of the subcontractors, reliability and competitiveness of the subcontractors. Contract managers of TBC, TE or TEHK (as appropriate for the case) will consider the selection criteria mentioned above thoroughly when they review

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the quotes and tenders, and then to select the most appropriate subcontractor and award the subcontract to it. We are of the opinion that such selection basis can ensure that the most appropriate subcontractor is selected under normal commercial terms, and if connected parties are being selected as the subcontractor they are at terms no more favourable than those available to independent third parties. Therefore, it is fair and reasonable and in the interest of the Company and the Shareholders.

Therefore, we are of the opinion that the above-mentioned Subcontracting Transactions were entered into in the ordinary course of business of the Company and on normal commercial terms.

The On-going Connected Transactions which are of a recurring nature are conducted in the ordinary and usual course of the business of the Group and on normal commercial terms. We consider that the terms of the On-going Connected Transactions are fair and reasonable as far as the independent Shareholders are concerned and are beneficial to the Company.

As the On-going Connected Transactions will be of a continuing nature and will occur on a regular basis, strict compliance with the requirements as connected transactions under Chapter 14 of the Listing Rules would be impractical and unduly burdensome for the Company and the costs involved in complying with such requirements would not be beneficial to the Shareholders and the Company.

Accordingly, we are of the opinion that to make a New Waiver application is beneficial to the Shareholders and the Company.

For the five preceding financial years ended 31 March 2002, the aggregate amount of the connected transactions actually incurred relative to the turnover of the preceding year ranged from nil to approximately 4.82%. Therefore, the Cap Amount of 5% is considered to be reasonable.

2. **Connected Transactions**

In arriving at our recommendation with regard to the HSB Guarantees and the ANZ Guarantee, we have considered the following material factors and reasons in respect of the entering into of the HSB Guarantees and the ANZ Guarantee:

Background for entering into the HSB Guarantees and the ANZ Guarantee

As referred to in the letter from the Board as set out on pages 4 to 16 of the Circular, the HSB Guarantees and the ANZ Guarantee are required by HSB and ANZ Banks to be given by, inter alia, the Company and certain of its subsidiaries as a condition to the granting of banking facilities to TFL, TBC and TEHK.

TFL is a wholly-owned subsidiary of the Company. TBC is owned as to 50% by the Company, 35% by Mr. Fung and 15% by Kam Fai, an independent third party not otherwise connected or related with the Company. TEHK is a wholly-owned subsidiary of TE, a company

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owned as to 70% by the Company, as to 8% by Mr. Fung, as to 17% by Mr. Wong, a director of TE, and as to 5% by Kam Fai, an independent third party not otherwise connected or related with the Company. The Company provided three guarantees in favour of HSB in respect of the following loans:

- (a) a HK\$10 million loan facilities for establishment of documentary letters of credit and covering import of goods and acceptance of bills drawn and for trust receipt facility relating to goods imported and financed under the documentary letters of credit to be granted to TFL, TBC and TEHK for their several and/or combined use without any sub-limits;
- (b) a HK\$1.5 million loan facility for overdraft facility to be granted to TBC; and
- (c) a HK\$1.5 million loan facility for overdraft facility to be granted to TEHK.

In respect of the loan facilities to be granted by ANZ Banks, ANZ Banks required the Company to provide a guarantee up to HK\$60 million for the full amount of the loan facility (within which a total sub-limit of HK\$30 million is to be established for TBC and TEHK, there being no sub-limit established for TFL). Besides, TFL, TBC and TEHK will also provide joint and several guarantees in the same guarantee to ANZ Banks in respect of each and all of the indebtedness of TFL, TBC and TEHK, up to the aggregate extent of HK\$30 million in the case of the guarantee by TBC and TEHK, and up to the aggregate amount of HK\$60 million in the case of the guarantee by TFL. It is not uncommon for commercial banks to require a third-party guarantee from the largest shareholder of a company, especially when such shareholder is a listed company, in respect of facilities it provided. As the Company, being a listed company, is the single largest shareholder of TFL, TBC and TEHK, we are of the view that it is reasonable for ANZ Banks to impose the guarantee from the Company.

The banking facilities from HSB and ANZ Banks will be utilised solely to finance construction projects and short term working capital. It is in the interest of TBC and TEHK to obtain such banking facilities in view of the lower funding cost as compared to other forms of financing such as obtaining fixed term loans from financial institutions and/or issuing of debt instruments. Therefore, we are of the view that it is in the best interest of the Company to have TBC and TEHK to obtain the loan facilities rather than the Company itself to obtain a general unsecured loan to assist TBC and TEHK in financing construction projects. By granting the HSB Guarantees and the ANZ Guarantee by the Company, TBC and TEHK can secure the banking facilities and hence can finance the construction projects at a lower cost, thereby enhancing the Group's income and cashflow as TBC and TEHK are subsidiaries of the Group.

Financial position of TBC and TEHK

Based on the audited profit and loss statements of TBC and TEHK for the year ended 31 March 2002, the turnover of TBC and TEHK were approximately HK\$237,730,000 and HK\$67,320,000 respectively. It is noted that the aggregate value of the banking facilities to be granted to TBC and TEHK pursuant to the HSB Guarantees and the ANZ Guarantee is HK\$43

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million. This HK\$43 million in facilities represents approximately 14.10% of the audited turnover of TBC and TEHK for the year ended 31 March 2002. After considering these figures for TBC and TEHK, we are of the view that the amount of the banking facilities is not excessive, when considering the business levels of TBC and TEHK.

In addition, we are of the view that it would be difficult for TBC and TEHK to independently obtain banking facilities without support from the Company and that it is not unreasonable, taking into account the fact that the Company has an equity interest of 50% and 70% in TBC and TEHK respectively (and therefore has control of TBC and TEHK), for the Company to provide the HSB Guarantees and the ANZ Guarantee in favour of HSB and ANZ Banks respectively. The Directors also believe that HSB and ANZ Banks tend to be more confident in having a company listed on the Stock Exchange to provide guarantee and therefore include guarantees by the Company as an essential pre-condition for granting the banking facilities.

We have considered the following material factors and reasons in respect of the granting of the HSB Guarantees and the ANZ Guarantee:

- (a) that the Company has reviewed the opportunities presented arising from its controlling interest in TBC and TEHK and has decided to assist TBC and TEHK in seeking additional funds in order to expand the business and operations of TBC and TEHK; and
- (b) that the granting of the HSB Guarantees and the ANZ Guarantee by the Company is regarded by HSB and ANZ Banks as an essential pre-condition to the availability of new banking facilities to TBC and TEHK.

Pro forma financial effects

The granting of the HSB Guarantees and the ANZ Guarantee by the Company will not have any impact on the profitability, liabilities or gearing of the Company unless and until such time that any of the HSB Guarantees and the ANZ Guarantee happen to be called upon.

The total loan limit granted by HSB to TFL, TBC and TEHK amounted to HK\$13 million, the maximum liability of the Company, in the event that TFL, TBC and TEHK are unable to make full repayment of the loans concerned, under the HSB Guarantees, is limited to the amount of HK\$13 million.

The maximum liability of the Company and TFL under the ANZ Guarantee is limited to HK\$60 million, within which up to HK\$30 million is attributable to loans or financial facilities to be granted to TBC and TEHK.

The Company had discussed with HSB and ANZ Banks regarding the granting of pro rata several guarantees from all Shareholders, however, both HSB and ANZ Banks refused and requested the Company to provide guarantees up to the full amount of the loan facilities.

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The remaining shareholders of TBC and TE will provide pro rata counter indemnities to the Company in respect of the HSB Guarantees and the ANZ Guarantee such that the liabilities arising from the loans will be shared among all shareholders of TBC and TE respectively.

The total maximum liability of the Company in the event that TBC and TEHK are both in default will be HK\$43 million, representing approximately 6.3% of the Company's unaudited adjusted net tangible asset value, which amounted to approximately HK\$682.8 million as at 30 September 2002 (being the Company's net tangible asset value as at 31 March 2002 adjusted to take into account the unaudited interim profit for the six months ended 30 September 2002). However, taking into account of the pro rata shareholding of the Company in TBC and TEHK, the financial losses to the Company if the remaining shareholders of TBC and TE cannot honour their counter indemnities to the Company (assuming the \$10 million and the \$30 million facilities granted by HSB and ANZ Banks respectively are all granted to TBC) will be HK\$21.2 million, representing approximately 3.1% of the Company's unaudited adjusted net tangible asset value as at 30 September 2002.

In view of the fact that the unaudited net tangible asset values of TBC and TEHK as at 30 September 2002 were HK\$16.9 million and HK\$17.9 million respectively, both companies are financially sound. We are of the opinion that the risk of TBC and TEHK are in default will be quite remote. Therefore, the financial exposure to the Company is minimal and the granting of banking facilities from HSB and ANZ Banks to TBC and TEHK will benefit both companies in expanding its operation and business, and this will in turn ultimately benefit the Company as TBC and TEHK are subsidiaries of the Company.

CONCLUSION

We are of the opinion that the terms of the On-going Connected Transactions, New Waiver application and the HSB Guarantees and the ANZ Guarantee are on normal commercial terms, in the interest of the Group and the independent Shareholders as a whole, and the terms thereof are fair and reasonable so far as the independent Shareholders of the Company are concerned and accordingly, have advised the Independent Board Committee of our opinion to recommend the independent Shareholders to vote in favour of the resolutions to approve the ordinary resolutions in relation to enter into the On-going Connected Transactions, the New Waiver application and the granting of the corporate guarantee for HK\$13 million in favour of HSB in respect of the facilities to be granted to TBC and TEHK and a corporate guarantee of HK\$60 million in favour of ANZ Banks in respect of the facilities to be granted to TFL, TBC and TEHK (within which a total sub-limit of HK\$30 million is to be established for TBC and TEHK).

Yours faithfully,
For and on behalf of
Upbest Securities Company Limited
Li Kwok Cheung, George
Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the equity or debt securities of the Company and any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are taken or deemed to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

(A) Interests in shares of the Company

Name	Number of Shares and nature of interest		
	Personal interests	Family interests	Corporate interests
Cheung Francis	27,856,600	—	233,932,200 ⁽¹⁾
Fung Chiu Chak, Victor	21,043,600	—	—
Lai Henry	15,953,665	3,267,000	204,756,200 ⁽²⁾
Chien David	96,521,020	—	—

Notes:

- (1) 171,237,000 Shares and 33,519,200 Shares were held by Power Link Investments Limited and Easternfunds Limited respectively, which were both controlled by Lai Henry and Cheung Francis, and 20,728,000 Shares and 8,448,000 Shares were held by Grand Thunder Limited and Long Billion International Limited respectively, which were both controlled by Cheung Francis.
- (2) 171,237,000 Shares and 33,519,200 Shares were held by Power Link Investments Limited and Easternfunds Limited respectively, which were both controlled by Lai Henry and Cheung Francis.

(B) Interests in shares of subsidiaries

Name	Percentage of shareholding
Fung Chiu Chak, Victor:	
Tysan Engineering Company Limited	8%
Tysan Building Construction Company Limited	35%

(C) Interests in options

As at the Latest Practicable Date, the following Directors had interests that were required to be recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance being options granted under the share option scheme of the Company approved by the Shareholders on 27 September 2000 to subscribe for shares in the capital of the Company:

Name of Director	Exercise price per Share	Exercisable period	Number of share options
Cheung Francis	HK\$0.2	1 April 2002 to 31 March 2004	3,000,000
Fung Chiu Chak, Victor	HK\$0.2	1 April 2002 to 31 March 2004	3,000,000
Chien David	HK\$0.2	1 April 2002 to 31 March 2004	1,500,000
Kwok Jennifer	HK\$0.2	1 April 2002 to 31 March 2004	1,500,000

Save as disclosed herein, as at the Latest Practicable Date:

- (i) none of the Directors had interests in any equity or debt securities of the Company or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which he or she was taken or deemed to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors was materially interested in any contracts or arrangements subsisting at the date of this circular which were significant in relation to the business of the Group;
- (iii) Upbest Securities did not have any shareholding, direct or indirect, in any member of the Group, or right (whether legally enforceable or not) to subscribe for or to nominate any person to subscribe for securities in any member of the Group; and

- (iv) None of the Directors nor Upbest Securities had any direct or indirect interest in any assets acquired or disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, the Company or any of its subsidiaries since 31 March 2002, the date to which the latest audited financial statements of the Group were made up.

(D) **Service contracts**

None of the Directors has any existing or proposed service contracts with the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the persons or companies (other than the Directors) who 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 and the amount of interests of each of such persons or companies in such securities, together with particulars of any options in respect of such capital, were as follows:

Name of shareholders	Number of Shares	Percentage of shareholding
Power Link Investments Limited	171,237,000 [#]	23.4%
Chien David	96,521,020 [#]	13.2%

[#] The shareholdings are duplicated in paragraph 2 on page 26 above.

Save as disclosed herein, the Directors are not aware of any person or company (other than the Directors) who was, 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 as at the Latest Practicable Date.

As at the Latest Practicable Date, so far as the Directors are aware, the following persons or companies (other than the Directors) were interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at any general meeting of any member of the Group (other than the Company as above mentioned):

Member of the Group	Name	Percentage of shareholding
Allbright Investments Limited	Golden Trade (HK) Limited	40%
Beneficial Enterprises Limited	Crown Asia Holdings Limited	40%
China Garden International Limited	Neich Holdings Limited	40%
Concord Worldwide Limited	Verchi Associates Limited	50%
Consco Holdings Limited	Chow Kwok Hung, Peter	20%

Member of the Group	Name	Percentage of shareholding
Conesco Investment Company Limited	Tian An (Tianjin) Investment Company Limited	31.25%
Federated Resources Limited	Wise Leader Enterprises Limited	40%
Ironwood Pacific Limited	Asian Business (HK) Limited	40%
Premier Dragon Limited	Chelson Properties Limited	40%
Proficiency Equipment Limited	Kwan Kit Yuen	40%
Shanghai Putuo Duncan Property Development Co., Ltd.	Shanghai Putuo District City Construction Investment Co., Ltd.	10%
Tianjin International Building Co. Ltd.	Tianjin Municipal International Investment Engineering Co.	20%
Turbo Dragon Investment Limited	Ng Kar Wai Kenneth	50%
Tysan Building Construction Company Limited	Kam Fai Limited	15%
Tysan Engineering Company Limited	Wong Kay	17%

Save as disclosed hereinabove, the Directors are not aware of any person or company, other than any Director (including his personal, family and corporate interest as aforesaid), who was, as at the Latest Practicable Date, directly or indirectly interested in 10% or more of the issued share capital of any member of the Group.

4. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares	<u>200,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>		
<u>731,865,903</u>	Shares in issue as at the Latest Practicable Date	<u>73,186,590</u>

5. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries.

6. CONSENT AND EXPERT

- (a) Upbest Securities is an investment adviser and a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong).
- (b) Upbest Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and the reference to its name in the form and context in which it appears.
- (c) Upbest Securities is not interested in any shares nor does it have any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares.

7. GENERAL

- (a) As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2002, the date to which the latest published audited accounts of the Group were made up.
- (b) The secretary of the Company is Mr. Chan Kit Yan, who is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.
- (c) The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is at 6th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at 6th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong during normal business hours up to and including 19 February 2003 and at the SGM:

- (a) the letter of advice from Upbest Securities to the Independent Board Committee, the text of which is set out on pages 18 to 25 of this circular;
- (b) the written consent from Upbest Securities referred to in paragraph 6 of this appendix;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 17 of this circular; and
- (d) the HSB Guarantees and the ANZ Guarantee.



TYSAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of Tysan Holdings Limited (the “Company”) will be held at 6th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong on Wednesday, 26 February 2003 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the resolutions as set out below:

I. ORDINARY RESOLUTIONS:

- (1) **“THAT** the directors of the Company (the “Directors”) be and are hereby authorised to enter into transactions between Tysan Building Construction Company Limited (“TBC”) and Tysan Engineering Company Limited (“TE”) or Tysan Engineering (HK) Company Limited (“TEHK”) in relation to the sub-contracting of building construction works and/or electrical and mechanical engineering works by one company to the other (collectively the “On-going Connected Transactions”) for each of the financial years ending 31 March 2003, 2004 and 2005 and implement on such terms as they may reasonably determine from time to time, provided that the aggregate value of the On-going Connected Transactions entered into between TBC and TE (or TEHK) (and the respective aggregate value of each of the building construction works and electrical and mechanical engineering works) in any financial year shall not exceed 5% of the audited consolidated turnover of the Company and its subsidiaries in the preceding financial year in question, and that the Directors be and are hereby authorised to do such things and acts as they consider necessary or appropriate to give effect to the same and that all acts of the Directors in respect of or arising from the On-going Connected Transactions be and are hereby ratified.”
- (2) **“THAT** the Directors be and are hereby authorised to make an application to The Stock Exchange of Hong Kong Limited relating to the On-going Connected Transactions (as defined in Ordinary Resolution (1) above) for a conditional and continuous waiver from strict compliance with the stipulations contained in Chapter 14 of the Listing Rules for the period of three financial years ending 31 March 2005 (the “New Waiver Application”) and that all acts of the Directors in respect of or arising from the New Waiver Application be and are hereby ratified.”
- (3) **“THAT** three corporate guarantees executed by the Company in favour of Hang Seng Bank Limited, being (a) a corporate guarantee for HK\$10 million for establishment of documentary letters of credit and covering import of goods and acceptance of bills drawn and for trust receipt facility relating to goods imported and financed under the documentary letters of credit to be granted to Tysan Foundation Limited (“TFL”), TBC and TEHK, (b) a corporate guarantee for HK\$1.5 million for overdraft facility to be granted to TBC and (c) a corporate guarantee for HK\$1.5 million for overdraft facility to be granted to TEHK, be and are hereby approved, and that the Directors be and are hereby authorised to do and execute for and on behalf of the Company all such further acts and things and execute all

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such documents by hand and/or under seal which, in their opinion, may be necessary, desirable or expedient to carry into effect the transactions therein contemplated and all other matters in relation thereto or in connection therewith and that all acts of the Directors in respect of or arising from the above be and are hereby ratified.”

- (4) “**THAT** a corporate guarantee for HK\$60 million to be executed by the Company in favour of Australia and New Zealand Banking Group Limited, Hong Kong Branch and ANZ Asia Limited in respect of banking facilities to be granted to TFL, TBC and TEHK (within which a total sub-limit of HK\$30 million is to be established for TBC and TEHK) be and are hereby approved, and that the Directors be and are hereby authorised to do and execute for and on behalf of the Company all such further acts and things and execute all such documents by hand and/or under seal which, in their opinion, may be necessary, desirable or expedient to carry into effect the transactions therein contemplated and all other matters in relation thereto or in connection therewith, and that all acts of the Directors in respect of or arising from the above be and are hereby ratified.”

II. SPECIAL RESOLUTION

- (1) “**THAT** the Company do adopt the name of “泰昇集團控股有限公司” as the Chinese corporate name of the Company in lieu of “泰昇集團有限公司” for the purpose of registration in Hong Kong and that the Directors be and are hereby authorised to do and execute for and on behalf of the Company all such further acts and things and execute all such documents by hand and/or under seal which, in their opinion, may be necessary, desirable or expedient to carry into effect the registration and all other matters in relation thereto or in connection therewith.”

By order of the Board of Directors of
Tysan Holding Limited
Francis Cheung
Chairman

Hong Kong, 4 February 2003

*Head office and principal place
of business in Hong Kong:*
6th Floor, Sun Hung Kai Centre
30 Harbour Road
Wan Chai
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed herewith.
2. 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 Hong Kong branch share registrar of the Company, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

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3. 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.

4. Mr. Fung Chiu Chak, Victor, Mr. Wong Kay and other shareholders of TBC, TE and TEHK and their respective associates (as such term is defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) will abstain from voting on the ordinary resolutions (1), (2), (3) and (4) at the meeting.