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If you have sold or transferred all your shares in Tysan Holdings Limited, you should at once hand this circular 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)

CONTINUING CONNECTED TRANSACTIONS

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



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 5 to 15 of this circular and a letter from the Independent Board Committee is set out on pages 16 to 17 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 18 to 28 of this circular.

28 November 2014

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DEFINITIONS

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

“2009 Master Agreement”	the master agreement dated 21 October 2009 entered into between Tysan Foundation Limited, Tysan Construction (Macau) Limited, Building Construction and Tysan Engineering, details of which are set out in the circular of the Company dated 9 November 2009
“Annual Caps”	the maximum aggregate value of the contract sum in respect of each category of works to be subcontracted under the Master Agreement for each financial year concerned as set out therein
“Appointee”	any Party or any of its subsidiaries which has been subcontracted by the Appointor in respect of the whole or any part or parts of the works that the Appointor has been awarded or appointed with
“Appointor”	any Party or any of its subsidiaries which has been awarded or appointed with a contract for works for which it may deem appropriate to subcontract the whole or any part or parts of such works to another Party or Parties or any of its/their subsidiaries
“Board”	the board of Directors
“Building Construction”	Tysan Building Construction Company Limited, a company incorporated in Hong Kong with limited liability and ultimately wholly-owned by Mr. Victor Fung
“chief executive”	has the meaning ascribed to it under the Listing Rules
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the non-exempt continuing connected transactions and their respective Annual Caps contemplated under the Master Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EM works”	electrical and mechanical engineering works

DEFINITIONS

“Executive Director(s)”	the executive Director(s)
“Fortunate Pool”	Fortunate Pool Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Victor Fung
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee, established to make recommendations to the Independent Shareholders on the fairness and reasonableness of the terms of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than those Shareholders who have a material interest in the Continuing Connected Transactions, if any
“Latest Practicable Date”	26 November 2014, 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
“Master Agreement”	the master agreement dated 3 November 2014 entered into between the Parties in respect of the subcontracting of works, whether in whole or in part, among them in the Prescribed Manner
“Mr. Victor Fung”	Mr. Fung Chiu Chak, Victor, an Executive Director, the Vice-Chairman and Managing Director of the Company

DEFINITIONS

“Parties”	the parties to the Master Agreement collectively, being Tysan Foundation, Tysan Engineering, Proficiency Equipment and Building Construction, and individually a “Party”
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan
“Prescribed Manner”	<ol style="list-style-type: none">(1) the subcontracting of foundation works by Building Construction (or its subsidiaries) to subsidiaries of Tysan Foundation or vice versa, or(2) the subcontracting of building and construction works by subsidiaries of Tysan Foundation to Building Construction (or its subsidiaries) or vice versa, or(3) the subcontracting of EM works by subsidiaries of Tysan Foundation or Building Construction (or its subsidiaries) to Tysan Engineering (or its subsidiaries) or vice versa, or(4) the subcontracting of rental of tower cranes and provision of engineering services by subsidiaries of Tysan Foundation or Building Construction (or its subsidiaries) to Proficiency Equipment (or its subsidiaries) or vice versa
“Proficiency Equipment”	Proficiency Equipment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tides Holdings II”	Tides Holdings II Ltd., a company incorporated in the British Virgin Islands with limited liability and the immediate controlling shareholder of the Company holding approximately 75% interest in the Company

DEFINITIONS

“Tysan Engineering”	Tysan Engineering Company Limited, a company incorporated in Hong Kong with limited liability, an indirect non-wholly owned subsidiary of the Company and owned as to 70% by the Company through Tysan Construction Company Limited, 22% by Mr. Wong Kay, a member of senior management of the Company, and 8% by Mr. Victor Fung
“Tysan Foundation”	Tysan Foundation (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a non-wholly owned subsidiary of the Company and is owned as to 60% by the Company and 40% by Fortunate Pool
“%”	per cent

LETTER FROM THE BOARD



TYSAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 687)

Executive Directors:

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

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

WANG Tianbing *(Chairman)*
Stuart Morrison GRANT
YANG Han Hsiang
Justin WAI
LAW Yiu Fat, Richard

Head office and principal place

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

Independent Non-executive Directors:

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

28 November 2014

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

The Company announced on 3 November 2014 that the Parties had entered into the Master Agreement to set out the principles upon which (a) subsidiaries of Tysan Foundation may subcontract building and construction works, EM works, rental of tower cranes and provision of engineering services, in whole or in part, to Building Construction, Tysan Engineering and/or Proficiency

LETTER FROM THE BOARD

Equipment (or their respective subsidiaries) or vice versa; and (b) Building Construction may subcontract foundation works, EM works, rental of tower cranes and provision of engineering services, in whole or in part, to subsidiaries of Tysan Foundation, Tysan Engineering and/or Proficiency Equipment (or their respective subsidiaries) or vice versa.

Tysan Foundation, Tysan Engineering and Proficiency Equipment are subsidiaries of the Company. For the reasons set out below, Tysan Foundation and Building Construction are connected persons of the Company under Rule 14A.07 of the Listing Rules. Thus, the transactions between either Tysan Foundation or Building Construction with subsidiaries of the Company under the Master Agreement constitute continuing connected transactions for the Company. Also, as set out below, the Continuing Connected Transactions will constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Continuing Connected Transactions are therefore subject to disclosure by way of announcement, circular, annual review and Independent Shareholders' approval requirements under Rules 14A.32 to 14A.59 of the Listing Rules in relation to the Continuing Connected Transactions.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions under the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

On the basis that (a) no Shareholder is required under the Listing Rules to abstain from voting if the Company were to convene a general meeting for the approval of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder; and (b) written approval has been obtained from Tides Holdings II, being the immediate controlling shareholder of the Company interested in 655,999,427 Shares, representing approximately 75% of the issued share capital of the Company as at the Latest Practicable Date, the Company has applied for and the Stock Exchange has granted a waiver from compliance with the requirement to hold a general meeting of Shareholders pursuant to Rule 14A.37 of the Listing Rules.

The purpose of this circular is to provide Shareholders with, among other things, (i) further details of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders; and (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE BOARD

II. THE MASTER AGREEMENT

Date 3 November 2014

Parties Tysan Foundation, Tysan Engineering, Proficiency Equipment and Building Construction

Continuing Connected Transactions

An Appointor may at its discretion subcontract the whole or any part or parts of the works under a contract of works it has been awarded or appointed to an Appointee in the ordinary and usual course of its business. An Appointor may do so by entering into separate and definite agreements from time to time with an Appointee in the Prescribed Manner to provide for the detailed terms of each transaction in accordance with the principles set out in the Master Agreement and subject to the Annual Caps.

Detailed terms under each separate agreement shall include, without limitation: (1) the scope of the works concerned with detailed specifications as to the particulars, extent and standards of the works to be undertaken and the price thereof; (2) the manner of payment and/or settlement for such works; (3) specifications as to the materials, if any, to be supplied; and (4) other terms and conditions in relation to the provision of the works concerned, provided that: (a) such detailed terms shall be on normal commercial basis and on terms no less favourable to the Group than those available to or from, as the case may be, independent third parties; (b) the pricing thereof shall be no less favourable than the prevailing market rate; and (c) such terms shall be fair and reasonable and in the interest of the Shareholders as a whole.

For the avoidance of doubt, depending on the circumstances, a Party may be an Appointor on one occasion of subcontracting and an Appointee on another occasion.

LETTER FROM THE BOARD

Condition Precedent

The Master Agreement is subject to the condition precedent that the terms and conditions thereof and the Continuing Connected Transactions receive the approval of the Independent Shareholders in accordance with the Listing Rules and the approval of the Stock Exchange (where necessary). If such approval is not obtained on or before 31 December 2014 (or such later date as may be agreed by the Parties), the Master Agreement will automatically terminate and no Party shall have any claim against any other Party or Parties under the Master Agreement. The requirement for Independent Shareholders' approval has been fulfilled given that written approval has been obtained from Tides Holdings II, being the immediate controlling shareholder of the Company interested in 655,999,427 Shares, representing approximately 75% of the issued share capital of the Company as at the Latest Practicable Date.

Term

The Master Agreement is for a term commencing from 3 November 2014 and ending on 31 March 2017, both days inclusive.

Pricing Policy

In respect of foundation works and building and construction works to be subcontracted under the Master Agreement, their pricing shall be determined primarily through a bidding process whereby the Appointor will seek quotations from at least one independent third party subcontractor and the Appointee (a) prior to the Appointor's submission of tender for a contract of works (where the Appointor will incorporate such bid terms into its own tender submission) or (b) after the Appointor has been awarded or appointed with a contract of works. The Appointor will make reference to the quotations from such independent third party and take into account industry data and market information when determining whether the price of the relevant works is the prevailing market rate. In determining the successful bidder in respect of such works, the Appointor will also consider the potential bidder's ability to complete the relevant works according to schedules and its ability to meet the specification requirements.

LETTER FROM THE BOARD

In respect of EM works and rental and engineering work relating to tower cranes to be subcontracted under the Master Agreement, their pricing shall be determined primarily through a bidding process whereby the employer will, by itself or through the Appointor, invite the Appointee to submit quotation for the relevant works. The Appointee will submit its quotation with reference to the market price of the relevant works or comparable type of works provided by independent third parties, its capacity and complexity of the works.

In the event that it is not reasonably practicable to go through the bidding process in circumstances where (a) only limited expertise is available in the market for the relevant works; (b) the profit margin for the relevant works is low; (c) the relevant works are required to be done urgently; (d) the contract sum of the relevant works is HK\$1,000,000 or less; or (e) the relevant services are supervisory and general management in nature, the Appointor will invite quotations from the Appointee. The pricing of works and/or services under (a) to (e) above will be determined on arm's length negotiations between the Appointor and the Appointee to ensure that the prices and terms of such works and/or services are no less favourable than that offered by any independent subcontractor in other similar projects. As both the Appointor and the Appointee are market players in the industry, they have acquired information on the terms of the subcontracting works in the market through their daily operations. The Appointor and the Appointee will negotiate on the terms of the subcontract with reference to market data available to them to ensure that the prices and terms of such works are in line with the market rates. The Company retains data of historical transactions with third parties as to labour and material costs. In addition, reference may also be made to data available from The Hong Kong Construction Association, Limited as to machinery rates for contract work and the Development Bureau of The Hong Kong Government regarding certain average daily labour wages.

LETTER FROM THE BOARD

When the Appointor subcontracts the works to the Appointee, the subcontract sum of such works basically should be made on a dollar-to-dollar and back-to-back basis without any mark-up or mark-down. During the course of negotiations of the subcontract sum, the Appointor and the Appointee will take into account their respective costs and expenses which have been incurred in agreeing the terms of the subcontract, such as (a) expenses in procuring the granting of the relevant main contract such as posting of bonds and insurance; and (b) supervision and management cost in compliance with the main contract, which will not be more than 10% of the subcontract sum. Once the subcontract sum is agreed and the subcontract has been entered into, generally no adjustments will be made to the agreed subcontract sum unless there are changes to the terms of the subcontract such as variations of works.

Annual Caps

The maximum aggregate value of the contract sum in respect of each category of works to be subcontracted by any Party to another Party in the Prescribed Manner for each of the financial years concerned under the Master Agreement (excluding transactions between subsidiaries of Tysan Foundation) shall not exceed the amounts set out below.

	Financial Year Ending		
	31 Mar	31 Mar	31 Mar
	2015	2016	2017
	<i>(HK\$'</i>	<i>(HK\$'</i>	<i>(HK\$'</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>
Foundation works	100	100	100
Building and construction works	100	100	100
EM works	175	175	175
Rental and engineering work relating to tower cranes	10	10	10

Save for transactions which amounted to less than HK\$3 million for this financial year prior to the date of the Master Agreement, there were no subcontracting works between the Parties for the two financial years ended 31 March 2014 and the period ended on the date of the Master Agreement. The reasons for the low amounts of similar transactions in the last two financial years were primarily a result of management focus being on other corporate matters including the general offer initiated by Tides Holdings II in August 2013. With new directors from Tides Holdings II whose appointments took effect from 1 April 2014, the Company undertook a review of operations with them before deciding to pursue the Continuing Connected Transactions.

LETTER FROM THE BOARD

According to the 2014 policy address of the Hong Kong Government, it targets to provide a total of 470,000 units in the coming ten years and its capital expenditure on infrastructure is estimated to reach HK\$77.9 billion for the fiscal year 2014-15, which represents an approximately 20.3% increase over the 5-year average estimates. In view of the major infrastructure projects and land development projects being undertaken or planned and the market conditions in Hong Kong, the Directors take the view that it would be in the interest of the Company and the Shareholders for the Master Agreement to be entered into to maximize the business activities and operations of the Group.

The Annual Caps set out above have been determined by reference to (1) the Group's turnover and the relevant divisions' turnover for the past three years; (2) the subcontracting between the Parties and/or their subsidiaries for the three years ended 31 March 2012; and (3) the current, prospective and future projects of the Group, and in particular in the foundation, building and construction sectors in Hong Kong.

The Group had entered into the 2009 Master Agreement to regulate similar continuing connected transactions for the period from 1 April 2009 to 31 March 2012. The actual transaction amounts and the annual caps in respect of the continuing connected transactions of the Group under the 2009 Master Agreement are set out below:

	Actual	Cap amount
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
<i>For the financial year ended 31 March 2010</i>		
Building and construction works	2.3	180.0
EM works	1.2	70.0
Foundation works	0.0	180.0
<i>For the financial year ended 31 March 2011</i>		
Building and construction works	0.0	198.0
EM works	6.2	77.0
Foundation works	93.2	198.0
<i>For the financial year ended 31 March 2012</i>		
Building and construction works	0.0	218.0
EM works	66.4	85.0
Foundation works	0.0	218.0

A number of the annual caps under the 2009 Master Agreement were not utilized or hardly utilized in any one year. The vagaries affecting our businesses mean that the contracts we bid for could range from under HK\$1 million to more than HK\$100 million. For example, in the years ended March 2010 and 2012, there were no foundation works under the 2009 Master Agreement but in the year ended 31 March 2011, there were foundation works in the amount of HK\$93.2 million. Similarly, EM works were small in the years ended 31 March 2010 and 2011 with a significant increase to HK\$66.4 million for the year ended 31 March 2012. The EM Works in for the years ended 31 March 2011 and 2012 were attributable to one project. The size of construction projects are not uniform or incremental. Consequently, if the annual caps sought are too small, the Group would be limited to servicing only

LETTER FROM THE BOARD

small jobs. Tenders are either successful or not and in the event any one tender is successful, a substantial amount of the annual cap could be utilized but if tenders were unsuccessful, none of the annual cap may be utilized. As such, the Annual Caps have been determined to cater for possible subcontracting works by the Parties in the event that the Group is successful for one or more larger projects that it expects to pursue. However, some of the details of such projects are not yet available to it from the potential customers and so it is not practicable to detail with precision a specific range of project sizes.

INTERNAL CONTROL

The Company has put in place internal control procedures to ensure that individual transactions under the Master Agreement will be conducted in accordance with the terms of the Master Agreement. In order to ensure that the terms provided by the Appointee in respect of the works to be subcontracted under the Master Agreement are on normal terms or on terms no less favourable than those offered by independent third party, the Parties will follow the pricing policy as set out in the Master Agreement and make reference to the quotation from any independent third party subcontractor (where applicable). Further, the operations department of the Company will keep track of the actual contract sum of subcontracting works under the Master Agreement from time to time to ensure that the aggregate value of such contract sums will not exceed the Annual Caps. Prior to entering into individual transaction with Building Construction and/or Tysan Foundation (being the connected persons of the Company under Rule 14A.07 of the Listing Rules) under the Master Agreement, the Parties will provide promptly details of such proposed transaction, including the relevant agreement, to the finance and accounts department and the company secretarial department of the Company for their review. The agreement in respect of such proposed transaction will not be executed unless and until the above departments of the Company have confirmed that the aggregate value of the contract sums (including the contract sum of the proposed transaction) under the Master Agreement will not exceed the Annual Caps. If it is contemplated that the Annual Caps will be exceeded as a result of entering into the proposed transaction, such transaction will not be entered into until after the Company has re-complied with the relevant requirements under the Listing Rules.

On the basis of the above, the Directors are of the view that the Group has adequate internal control procedures in place to ensure that individual transactions under the Master Agreement are conducted in accordance with the terms of the Master Agreement.

LETTER FROM THE BOARD

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

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

Tysan Foundation is an investment holding company and the principal business activities of the subsidiaries of Tysan Foundation are the provision of foundation piling and related works. Tysan Engineering is an investment holding company and Tysan Engineering (H.K.) Company Limited, a wholly-owned subsidiary of Tysan Engineering, is principally engaged in EM works. The principal business of Proficiency Equipment is undertaking of sale and rental of tower cranes and provision of engineering services. The principal business of Building Construction is the provision of building and construction works. The Master Agreement allows the Parties to utilise the expertise of one another by way of subcontracting. This would maximize the business activities and operations of the Group and would provide the Company with better competitive edge and control of the projects concerned. The joint efforts of the Parties would also provide to the clients concerned a more comprehensive and coordinated service in the common interest of the Parties and the Company.

Since such subcontracting transactions among the Parties or their respective subsidiaries would continue on an ongoing basis, the Master Agreement was entered into among the Parties to regulate the business relationship and continuing transactions among them from time to time. Tysan Foundation, Tysan Engineering and Proficiency Equipment are subsidiaries of the Company. Building Construction is a company ultimately wholly-owned by Mr. Victor Fung, an Executive Director. In addition, Tysan Foundation is also an associate of Mr. Victor Fung. Consequently, Tysan Foundation and Building Construction are connected persons of the Company under Rule 14A.07 of the Listing Rules. Thus, the transactions between either Tysan Foundation or Building Construction with subsidiaries of the Company under the Master Agreement constitute continuing connected transactions for the Company. The applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14A of the Listing Rules in relation to the total amounts of the Continuing Connected Transactions (on an annual basis) will be more than 5% and it is expected that the total consideration will exceed HK\$10,000,000. The Continuing Connected Transactions will therefore constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and will be subject to disclosures by way of announcement, circular, annual review and Independent Shareholders' approval requirements under Rules 14A.32 to 14A.59 of the Listing Rules in relation to non-exempt continuing connected transactions.

As Mr. Victor Fung is considered to have a material interest in the Master Agreement by virtue of his interests in Building Construction and Tysan Foundation, he abstained from voting on the relevant resolution approving the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder at the Board meeting. Further, Mr. Victor Fung and his associates are not Shareholders.

To the best of the knowledge, information and belief of the Directors, no Shareholder is required under the Listing Rules to abstain from voting if the Company were to convene a general meeting for the approval of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder. Written approval of the Master Agreement (including the

LETTER FROM THE BOARD

Annual Caps) and the Continuing Connected Transactions contemplated thereunder has been obtained from Tides Holdings II, the immediate controlling shareholder of the Company interested in 655,999,427 Shares, representing approximately 75% of the issued share capital of the Company as at the Latest Practicable Date. Based on the above, the Company has applied for and the Stock Exchange has granted a waiver from compliance with the requirement to hold a general meeting of Shareholders pursuant to Rule 14A.37 of the Listing Rules. The Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder have been approved by way of written shareholder's approval in accordance with Rule 14A.37 of the Listing Rules, in lieu of holding a general meeting of Shareholders.

III. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee, being all independent non-executive Directors, has been established to advise the Independent Shareholders, after taking into account the recommendations of the Independent Financial Adviser, as to whether the terms of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

The Company has appointed the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

IV. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions are and will be of the types that are entered into in the ordinary and usual course of business of the companies concerned within the Group and on a frequent and regular basis. Therefore, the Directors (including the independent non-executive Directors) consider that it would be more appropriate and in the interest of business efficacy to set out in the Master Agreement the principles governing such transactions. Having noted and considered the reasons stated under the section headed "Reasons for and benefits of the Master Agreement and the Continuing Connected Transactions", the Directors (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) consider that the terms of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

As the Stock Exchange has granted a waiver under Rule 14A.37 of the Listing Rules, no general meeting will be convened for the purpose of approving the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder.

LETTER FROM THE BOARD

V. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser and the information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Tysan Holdings Limited
Lau Kin Fai
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder.



TYSAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 687)

28 November 2014

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular to the Shareholders dated 28 November 2014 (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 Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder and to advise the Independent Shareholders as to whether they are fair and reasonable, whether they are on normal commercial terms or better and in the ordinary and usual course of business of the Group and whether they are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 5 to 15 of the Circular and the letter of advice from the Independent Financial Adviser as set out on pages 18 to 28 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 terms of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder are or shall be on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider the terms of the Master Agreement (including the Annual Caps) to be fair and reasonable.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Since the Stock Exchange has granted the Company a waiver pursuant to Rule 14A.37 of the Listing Rules, the Company is not required to convene a general meeting of the Shareholders to approve the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee of
Tysan Holdings Limited

FAN Chor Ho

TSE Man Bun

LUNG Chee Ming, George

LI Kit Chee

All the Independent Non-executive Directors

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 28 November 2014 for incorporation in this circular:



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

28 November 2014

To: the Independent Board Committee and
the Independent Shareholders

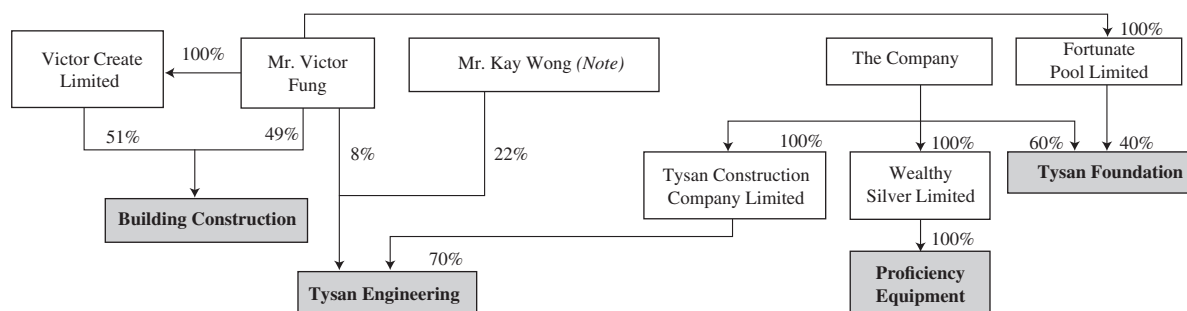
Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the terms and conditions of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder, entered into by the Parties on 3 November 2014 to regulate the Continuing Connected Transactions to be entered into from time to time between the Parties (or their respective subsidiaries) during the term of the Master Agreement. Details of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder are contained in the circular of the Company to the Shareholders dated 28 November 2014 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

A simplified chart summarising the shareholding structure as at the Latest Practicable Date relevant to the Continuing Connected Transactions is set out below:



Note: A member of senior management of the Company

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Tysan Engineering and Proficiency Equipment are indirect subsidiaries of the Company. Building Construction is ultimately wholly-owned by Mr. Victor Fung, who is an Executive Director. Tysan Foundation is directly owned as to 60.0% by the Company and indirectly owned as to 40.0% by Mr. Victor Fung. Accordingly, Building Construction and Tysan Foundation are associates of Mr. Victor Fung and thus connected persons of the Company under Chapter 14A of the Listing Rules. Consequently, the transactions between either Tysan Foundation or Building Construction with subsidiaries of the Company under the Master Agreement constitute continuing connected transactions for the Company. As the relevant applicable percentage ratios in respect of the total amounts of the Continuing Connected Transactions (on an annual basis) will be more than 5.0% and it is expected that the total consideration will exceed HK\$10.0 million, the Continuing Connected Transactions are subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Victor Fung is considered to have a material interest in the Master Agreement by virtue of his interests in Building Construction and Tysan Foundation, he abstained from voting on the relevant resolution approving the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder at the Board meeting.

As stated in the letter from the Board in the Circular, no Shareholders would have to abstain from voting if the Company were to convene a general meeting to approve the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder, and in this regard, a written approval has been obtained from Tides Holdings II, the immediate controlling Shareholder holding approximately 75.0% interest in the Company as at the Latest Practicable Date. The Company has therefore made an application for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.37 of the Listing Rules. Accordingly, the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder have been approved by way of written shareholder's approval in lieu of holding a general meeting of Shareholders.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee, has been established to advise the Independent Shareholders as to whether the terms of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Somerley Limited (presently known as "Somerley International Limited" and a subsidiary of Somerley Group Limited) has acted as an independent financial adviser to the then independent board committee and/or the then independent shareholders of the Company, in relation to (i) certain special deal transactions and connected transactions (details of which were set out in the circular of the Company dated 25 November 2013, being the "**Special Deal Transactions**") and (ii) a voluntary conditional cash offer (details of which were set out in the composite offer and response document of the Company and the offeror dated 23 December 2013) (the "**Voluntary General Offer**"). The above past engagements were limited to providing independent

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advisory services to the then independent board committee and/or the then independent shareholders of the Company, pursuant to the Listing Rules and/or the Hong Kong Code on Takeovers and Mergers. Under the past engagements, Somerley Limited received normal professional fees from the Company. Notwithstanding the past engagements, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Group (including Tysan Foundation, Tysan Engineering and Proficiency Equipment), Building Construction and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information, facts and opinions were true, accurate and complete in all material aspects and will remain so up to the date of the Circular. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, or to doubt the truth, accuracy or completeness of the information provided. We have not conducted any independent investigation into the business, affairs and financial position of the Group (including Tysan Foundation, Tysan Engineering and Proficiency Equipment) and Building Construction, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion on the terms of the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder, we have taken the following principal factors and reasons into consideration:

1. Information on the Parties

The Group is principally engaged in foundation piling, property development, and property investment and management, with a market capitalisation of approximately HK\$2.4 billion as at the Latest Practicable Date. The Company had its shares listed in 1991. For the year ended 31 March 2014, the Company recorded revenue and profit attributable to Shareholders of approximately HK\$3,504.4 million and HK\$270.0 million respectively. The Group's businesses are undertaken by different subsidiaries, including Tysan Foundation, Tysan Engineering and Proficiency Equipment. The foundation piling business contributed a significant portion of the Group's revenue in recent years.

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In the context of the Special Deal Transactions, which were completed in January 2014, the Company has, among others, disposed its 40.0% equity interest in Tysan Foundation and its 49.0% equity interest in Building Construction. Summary information on each of the Parties as at the Latest Practicable Date is set out below:

<i>Party</i>	<i>Shareholders</i>	<i>Principal business</i>
Building Construction	- 100.0% (Mr. Victor Fung, directly and indirectly)	Provision of building and construction works
Tysan Foundation	- 60.0% (the Company) - 40.0% (Mr. Victor Fung, indirectly)	Foundation piling and related works
Tysan Engineering	- 70.0% (the Company, indirectly) - 22.0% (Mr. Kay Wong) - 8.0% (Mr. Victor Fung)	EM works
Proficiency Equipment	- 100.0% (the Company, indirectly)	Sale and rental of tower cranes and provision of engineering services

2. Background to and reasons for the Master Agreement

A number of the Group's businesses are frequently relied upon during the lifecycle of building or infrastructure construction projects. As outlined above, each Party has developed dedicated expertise and competencies in certain areas. Contracts and tenders may be awarded to one Party that may involve the undertaking of work that is the expertise of one or more other Parties. The Directors believe that the subcontracting of foundation works, building and construction works, EM works, and the rental of tower cranes and provision of engineering services, as the case may be, between one Party and another Party that is specialised in such works would maximise the business activities and operations of the Group and would provide the Company with better competitive edge and control of the projects concerned. In addition, the joint efforts of the Parties to a Continuing Connected Transaction would provide the clients concerned with a more comprehensive and coordinated service in the interest of the Group. It is due to the above reasons that the Master Agreement was entered into to regulate such subcontracting relationships between the Parties.

Similar continuing connected transactions in the past were governed by master agreements; for a term from 1 January 2006 to 31 December 2008, further details of which are set out in the circular of the Company dated 16 February 2006 (the "2006 Master Agreement"), and for a term from 1 April 2009 to 31 March 2012 pursuant to the 2009 Master Agreement. A new master agreement was not immediately entered into due to, among others, management focus being on other corporate matters, including the Voluntary General Offer. In light of potential future subcontracting arrangements between the Parties that may materialise and prove beneficial to the Group, the management of the Company considers it reasonable for the Master Agreement to be entered into at this juncture.

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3. The Master Agreement

Principal terms

Pursuant to the Master Agreement, when any Party or any of its subsidiaries (a “**Party Company**”) have been awarded a contract for works for which it may deem appropriate to subcontract such works to another Party Company, the Appointor may subcontract to the Appointee the following:

- (i) foundation works by Building Construction (or its subsidiaries) to subsidiaries of Tysan Foundation or vice versa;
- (ii) building and construction works by subsidiaries of Tysan Foundation to Building Construction (or its subsidiaries) or vice versa;
- (iii) EM works by subsidiaries of Tysan Foundation or Building Construction (or its subsidiaries) to Tysan Engineering (or its subsidiaries) or vice versa; and
- (iv) rental of tower cranes and provision of engineering services by subsidiaries of Tysan Foundation or Building Construction (or its subsidiaries) to Proficiency Equipment (or its subsidiaries) or vice versa.

The Master Agreement is for a term from 3 November 2014 to 31 March 2017. Subcontracting works to be carried out pursuant to the Master Agreement are subject to the Annual Caps, further details of which are discussed in the section headed “The Annual Caps”. For further details of the Master Agreement, please refer to the letter from the Board in the Circular. The works to be undertaken and the price thereof shall be on normal commercial terms and on terms no less favourable to the Group than terms available to or from independent third parties.

The tendering process

The Group has in place written tender policies for Tysan Foundation, Tysan Engineering and Proficiency Equipment.

If any Party Company has been awarded with a contract for works for which it deems appropriate to subcontract, that Party Company (the Appointor) will seek quotations from various subcontractors. In case another Party Company is one of the potential subcontractors, the Appointor will source a quotation from at least one more independent third party. The Appointor will consider each of the tenderers’ pricing proposals, their ability to complete the works according to the construction schedule, and their ability to meet the required specification. All tender information will be collated and quotations will be discussed with the tenderers, which will be summarised in a tender analysis report. The Appointor will evaluate the quotations received and terms offered by the tenderers and make a decision as to whom the subcontract shall be awarded.

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The above tendering process may not be used in cases where: (i) only limited expertise is available in the market for the relevant works; (ii) the profit margin for the relevant works is low; (iii) the relevant works are required to be done urgently; (iv) the contract sum of the relevant works is HK\$1.0 million or less; or (v) the relevant services are supervisory and general management in nature. In such cases the Appointor may invite a quotation from only one tenderer (potentially being a Party Company). The pricing shall be determined on arm's length negotiations to ensure, in the case where both the Appointor and Appointee are Party Companies, that the prices and terms of such works and/or services are no less favourable than those offered to unrelated third parties. The Appointor (and the Appointee, as applicable) have market experience and have acquired information on the terms of subcontracting works in the market through their daily operations. Subcontract terms would be negotiated with reference to market data available to them from time to time to ensure terms are in line with market rates. In any case, such subcontracts should basically be made on a "dollar-to-dollar" and "back-to-back" basis, as set out in the section below headed "Pricing policy".

We consider the above process to be a suitable means of addressing the tendering process in context of the Continuing Connected Transactions, in particular in light of the Appointor sourcing a quotation from at least one independent third party, unless it would not be feasible to conduct a tendering process in certain limited cases. We have discussed with the Company the situations in which a tendering process is not conducted. We note that market prices in relation to labour and material costs from third parties as well as past transactions are referenced by the Company. Sources that may be referred to include The Hong Kong Construction Association, Limited in relation to machinery rates for contract work carried out, and the Development Bureau of the Hong Kong Government regarding certain average daily labour wages. We consider that in limited instances where a tendering process is not carried out, as set out above, it is reasonable to reference such type of market data, in addition to historical transaction data, to determine the pricing.

Pricing policy

The Group has in place written pricing policies for Tysan Foundation, Tysan Engineering and Proficiency Equipment.

The prices for subcontracted services between the Appointor and Appointee shall be determined (i) through a tendering process, or (ii) at arm's length negotiation between the Appointor and Appointee in case a tendering process is not conducted. During the course of negotiations of the subcontract sum the Appointor and the Appointee will take into account their respective costs and expenses which have been incurred in agreeing the terms of the subcontract. When the Appointor subcontracts the works to the Appointee, such subcontract basically should be made on a "dollar-to-dollar" and "back-to-back" basis, with little or no mark-up or mark-down. This would be the case whether or not a tendering process has taken place beforehand.

However, the Appointor will be allowed to mark-down the prices by not more than 10.0% if the Appointor incurs (a) expenses in procuring the granting of the relevant main contract such as posting of bonds and insurance, and (b) supervision and management cost in compliance with the main contract. Once the subcontract sum is agreed and the subcontract has been entered into, generally no adjustments will be made to the agreed subcontract sum unless there are changes to the terms of the subcontract such as variations of works.

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We have reviewed actual pricing of a sample of continuing connected transactions under the 2009 Master Agreement (the “**Previous CCT(s)**”), and note that for the majority of the Previous CCTs, there was little or no mark-down. In cases where the Appointor marked down the price of the subcontract sum, it was primarily related to preliminary expenses such as posting of bonds and insurance, and supervision and management fees. We were also advised that no other fees such as commission payments were charged by the Appointor to the Appointee.

4. The Annual Caps

The transactions contemplated under the Master Agreement are subject to the proposed Annual Caps, as discussed below.

(a) Review of historical figures

For the three financial years ended 31 March 2012, the subcontracting works performed under the 2009 Master Agreement were as follows:

	Actual <i>(HK\$ million)</i>	Cap amount <i>(HK\$ million)</i>
<i>For the financial year ended 31 March 2010</i>		
Building and construction works	2.3	180.0
EM works	1.2	70.0
Foundation works	0.0	180.0
<i>For the financial year ended 31 March 2011</i>		
Building and construction works	0.0	198.0
EM works	6.2	77.0
Foundation works	93.2	198.0
<i>For the financial year ended 31 March 2012</i>		
Building and construction works	0.0	218.0
EM works	66.4	85.0
Foundation works	0.0	218.0

For all three subcontracting categories the general levels of utilisation were low across the three years, except for a foundation contract in 2011 of approximately HK\$93.2 million and a major EM works contract in 2012 of approximately HK\$66.4 million. We were advised by the Company that the reasons for the low utilisation rates in general were (i) parties under the 2009 Master Agreement not winning relevant tendering processes and (ii) parties under the 2009 Master Agreement not participating in relevant tendering processes because of the parties’ alternative allocation of internal resources. However, the utilisation rates were higher in some years due to major subcontracts as mentioned above, which highlights the non-steady nature of the works to be subcontracted and the requirement to accommodate such fluctuations when setting the Annual Caps.

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The 2009 Master Agreement expired on 31 March 2012. Since then and up to the Latest Practicable Date, subcontracting works that were classified as continuing connected transactions were considered de-minimis under the Listing Rules. No other subcontracting works were undertaken between the Parties during the two financial years ended 31 March 2014 due to, among others, management focus being on other corporate matters including the Voluntary General Offer.

(b) Assessment of the Annual Caps

Company management based its Annual Caps estimations on past transactions and considerations as to future chances of Party Companies subcontracting relevant works, taking into account the considerable uncertainty as to whether an independent third party or a Party Company is awarded a tender and the potentially large size of subcontracts.

The proposed Annual Caps under the Master Agreement are as follows:

	Cap amount for the financial year ending		
	(HK\$ million)		
	31 March 2015 <i>(Note)</i>	31 March 2016	31 March 2017
Foundation works	100.0	100.0	100.0
Building and construction works	100.0	100.0	100.0
EM works	175.0	175.0	175.0
Rental of tower cranes and provision of engineering services	10.0	10.0	10.0

Note: The term of the Master Agreement commences on 3 November 2014.

We note that Company management has, when setting the Annual Caps, also made reference to major infrastructure projects and land development projects being undertaken or planned in Hong Kong, noting that the Hong Kong Government's capital expenditure on infrastructure is expected to reach HK\$77.9 billion for the fiscal year 2014-2015, an approximately 20.3% increase over the 5-year average estimates. The Report On The Quarterly Survey Of Construction Output (2nd Quarter 2014) published by the Hong Kong Government lists year-on-year increases in the gross value of construction works in nominal terms in Hong Kong for each calendar quarter from Q2 2013 to Q2 2014 in the range of approximately 2.7% to 14.0%, generally indicating a favourable construction works climate in Hong Kong. The management of the Company considers that the construction sector as a whole is expected to benefit from this, and that against this backdrop it is appropriate in general to enter into the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder.

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(i) Subcontracting of foundation works

The proposed annual cap is HK\$100.0 million for each of the three years ending 31 March 2017, which represents a decrease of approximately 54.1% when compared with the relevant annual cap in 2012. We note one transaction carried out in 2011 of approximately HK\$93.2 million, showing the potential size of foundation related subcontracts. We have discussed with the Company's management the nature of foundation works subcontracts and note the volatile nature of them being completed with a Party Company. In light of the size of the foundation work subcontract awarded during the tenure of the 2009 Master Agreement, we consider it reasonable to capture the eventuality of relatively large subcontract(s) being awarded to a Party Company when setting the annual cap.

(ii) Subcontracting of building and construction works

The proposed annual cap is HK\$100.0 million for each of the three years ending 31 March 2017, which represents a decrease of approximately 54.1% when compared with the relevant annual cap in 2012. While no transactions were conducted in 2011 and 2012, two subcontracts were awarded in 2010 of in total approximately HK\$2.3 million. We have discussed with the Company's management the historical volatility of a party of the Group winning relevant subcontracting tenders but also note that high numbers of building and construction work subcontracts were awarded to independent third parties in the past (including in periods prior to the 2009 Master Agreement), indicating the level of future transactions but requiring adjustment for the uncertainties of a Party Company winning relevant tenders.

(iii) Subcontracting of EM works

The proposed annual cap is HK\$175.0 million for each of the three years ending 31 March 2017, which represents an increase of approximately 105.9% when compared with the relevant annual cap in 2012. For 2012 we note total subcontracted works of approximately HK\$66.4 million, while utilisation figures in 2010 and 2011 were considerably lower. While this is one factor taken into account when determining the relevant annual cap, reference has also been made to current and prospective subcontracts to be awarded to Tysan Engineering, including an allowance for variations of contract sums and other future transactions. In arriving at the proposed annual cap for EM works, the Company has taken into account potential projects where tendering processes have already been carried out, and those that are currently under discussion or being considered.

(iv) Subcontracting of rental of tower cranes and provision of engineering services

The proposed annual cap is HK\$10.0 million for each of the three years ending 31 March 2017. The Company's management quantified the size of potential tenders that have been submitted and future tenders that may be submitted by Building Construction in the near future which may involve the subcontracting of tower crane rentals to Proficiency Equipment.

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the Annual Caps in a way that can accommodate the potential growth of the Group's business. Provided that the Continuing Connected Transactions are subject to annual review by the independent non-executive Directors and auditors of the Company (as summarised below), as

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required under the Listing Rules, the Group would have desirable flexibility in conducting its business if the Annual Caps are tailored to future business activities. In assessing the reasonableness of the Annual Caps, we have discussed with the management of the Company the factors taken into account as stated earlier in this section. We consider it reasonable for the Company to use the above factors in determining the Annual Caps.

5. Requirements for the Continuing Connected Transactions and internal controls

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Continuing Connected Transactions every year and confirm in the annual report whether the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the Continuing Connected Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the Continuing Connected Transactions involve the provision of goods or services by the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the Continuing Connected Transactions; and
 - (iv) have exceeded the Annual Caps;
- (c) the Company must allow, and ensure that the counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b);
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

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In addition to the above reporting requirements under the Listing Rules, the Company has a number of safeguards in place to ensure that the Continuing Connected Transactions are conducted in accordance with the terms of the Master Agreement (including the Annual Caps):

- (a) Written tender and pricing policies for Tysan Foundation, Tysan Engineering and Proficiency Equipment, as summarised in the sections headed “The tendering process” and “Pricing policy”.
- (b) A written internal control policy which sets out, among others, procedures to ensure the terms offered by the relevant Party Companies for a Continuing Connected Transaction are in accordance with the Annual Caps, including an assessment by the finance and accounts department of the Company and the Company Secretary.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transactions and the Annual Caps not being exceeded, and given the Company’s internal safeguards in place, we are of the view that appropriate measures will be in place to monitor the conduct of the Continuing Connected Transactions and assist in safeguarding the interests of the Shareholders.

OPINION

Having taken into account the above principal factors and reasons above, we consider that the Master Agreement (including the Annual Caps) and the Continuing Connected Transactions contemplated thereunder are or shall be on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider the terms of the Master Agreement (including the Annual Caps) to be fair and reasonable.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
John Wong
Director

Mr. John Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and as a responsible officer of Somerley Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over six years of experience in the corporate finance industry.

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.

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:

Interests in ordinary shares of associated corporations of the Company:

Name	Name of associated corporations	Number of ordinary shares and nature of interest			Total interests	Percentage of the associated corporation's issued share capital (%)
		Personal interests	Corporate interests			
Mr. Victor Fung	Tysan Engineering	800	—	800	8	
	Tysan Foundation	—	40 ⁽¹⁾	40	40	

Note:

(1) These shares of Tysan Foundation were held by Fortunate Pool, a company which was wholly-owned by Mr. Victor Fung.

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 the 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 (%)
Blackstone Group Management L.L.C. ⁽¹⁾	655,999,427	75.00
Blackstone Holdings IV GP L.P. ⁽¹⁾	655,999,427	75.00
Blackstone Holdings IV GP Management (Delaware) L.P. ⁽¹⁾	655,999,427	75.00
Blackstone Holdings IV GP Management L.L.C. ⁽¹⁾	655,999,427	75.00
Blackstone Holdings IV L.P. ⁽¹⁾	655,999,427	75.00
Blackstone Real Estate Associates Asia-NQ L.P. ⁽¹⁾	655,999,427	75.00
Blackstone Real Estate Partners Asia Holding (NQ) L.P. ⁽¹⁾	655,999,427	75.00
Blackstone Real Estate Partners Asia-NQ L.P. ⁽¹⁾	655,999,427	75.00
BREP Asia Holdings (NQ) Pte. Ltd. ⁽¹⁾	655,999,427	75.00
BREP Asia-NQ L.L.C. ⁽¹⁾	655,999,427	75.00
Schwarzman Stephen A. ⁽¹⁾	655,999,427	75.00
The Blackstone Group L.P. ⁽¹⁾	655,999,427	75.00
Tides Holdings I Ltd. ⁽¹⁾	655,999,427	75.00
Tides Holdings II Ltd. ⁽¹⁾	655,999,427	75.00
Air Canada Pension Master Trust Fund ⁽²⁾	73,044,520	8.35
8007748 Canada Inc.	73,044,520	8.35

Note:

- (1) These parties were deemed to have interests in the 655,999,427 Shares by virtue of their control over Tides Holdings II Ltd.
- (2) Air Canada Pension Master Trust Fund was deemed to be interested in 73,044,520 Shares held by 8007748 Canada Inc. by virtue of its interest in more than one-third of the voting shares of 8007748 Canada Inc.

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

Name of shareholder	Name of the member company	Number of shares held	Percentage to issued share capital of the member company (%)
Mr. Wong Kay	Tysan Engineering	2,200	22
Metrowide Limited	Jetroyal Limited	150,000	15
Miss 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 the Group, or any options in respect of such share capital.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in the Shares and 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.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of any compensation (other than statutory compensation).

4. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group, and since 31 March 2014 (the date to which the latest published audited accounts of the Group were made up), 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 the 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 2014, 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 the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

5. 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 the Group since 31 March 2014, the date to which the latest published audited accounts of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualifications
Somerley Capital Limited	a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, Somerley Capital Limited has no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Somerley Capital Limited has no direct or indirect interests in any assets which have been, since 31 March 2014 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Somerley Capital 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.

7. GENERAL

The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

8. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Master Agreement 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 18 December 2014 (save for Saturday and public holidays).