



TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 687)

2010/2011

INTERIM REPORT



Contents

	<i>Page</i>
Management Discussion and Analysis	2
Corporate Governance	5
Other Information	6
Unaudited Interim Financial Statements	
Consolidated Income Statement	9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Changes in Equity	13
Condensed Consolidated Statement of Cash Flows	15
Notes to the Unaudited Interim Financial Statements	16
Corporate Information	28

Management Discussion and Analysis

For the six months ended 30 September 2010, the Group recorded turnover of HK\$1,382 million (30 September 2009: HK\$1,069 million) and achieved profit attributable to ordinary equity holders of the Company of HK\$132 million (30 September 2009: HK\$192 million), representing HK\$0.16 per share (30 September 2009: HK\$0.23 per share).

Hong Kong Market

Foundation Piling

The Group's foundation division continued to benefit from the buoyant momentum of the industry and achieved satisfactory performance. For the period under review, turnover of the Group's foundation division increased by 89% to HK\$828 million while contribution to profit rose by 30% to HK\$61 million as compared to HK\$47 million in the last corresponding period. With the commencement of the major infrastructure projects, the Group expects the foundation division to perform well in the coming years. The Group's major contracts on hand include, inter alia, Cruise Terminal, Express Rail Link at West Kowloon Terminus and Henderson's project in Tai Tong, Yuen Long.

Other Construction Related Sectors

During the period under review, turnover and contribution of the Group's electrical and mechanical engineering division was HK\$20 million and HK\$2 million respectively. In view of the coming volume of construction projects, the machinery leasing and trading division has purchased several new cranes in order to meet the anticipated increase in turnover. Though competition in the market remains strong, the Group expects the divisions to achieve profitable returns.

PRC Market

Property development and investment

For the period under review, the Group's residential project in Shanghai, The Waterfront, recognised HK\$477 million as revenues while contribution to profit amounted to HK\$311 million as compared to revenues of HK\$545 million and profit of HK\$302 million in the last corresponding period. The improved profit margin is mainly due to the increase in selling price as the market recognises the quality and uniqueness of the project. The Group is confident in the coming sales of the remaining units of the development.

The Group will launch the pre-sale of The Riverside, a residential development along the Haihe river in Tianjin, which comprises 6 blocks of 30-storey towers with a total GFA of approximately 75,000 sqm, in this financial year.

The Group's site in Shenyang, located at Huanggu District with a total GFA of approximately 165,000 sqm, is in the final stage of planning. This project is a residential and commercial development and the Group expects foundation work to commence next year.

The Group has established experienced management and project teams in China over the years and is of the view that it is time to put more of its resources into property development projects. With this background, the Group has decided to divest its mature property investment, Tianjin International Building. As stated in the announcement dated 22 June 2010, the Group has entered into a conditional disposal agreement on 12 June 2010 to sell all its interests in Tianjin International Building. The subject sale was completed on 29 October 2010 and the Group received a net cash flow of over HK\$400 million. The related profit will be reflected in the second half of the financial year.

The Group's investment properties in Shanghai have continued to enjoy steady recurrent income and satisfactory occupancy rates. Turnover of the property investment division during the period under review amounted to HK\$54 million while contribution to profit, after excluding changes in fair value of investment properties, amounted to HK\$19 million.

Management Discussion and Analysis

Prospects

The construction industry in Hong Kong is now experiencing a bullish cycle as the government's massive infrastructure projects have commenced. In addition to the huge infrastructure spending, the private sector is also very active in the property market. The Group, being a leader in the foundation industry, is thus confident in the coming performance and prospect of its foundation division.

The recent austerity measures of China's government which include, inter alia, purchase restrictions, raising downpayment requirements and adjusting taxes, have indeed slowdown the property market. However, the Group is supportive of these tightening policies as they are healthy for the long term development of the real estate market. With suitable cooling measures, rising income and economic acceleration, China's property market will not encounter a bubble but instead continue to prosper from the expanding economy. With China's economic growth and political stability, it will remain as one of the best equipped country to tackle global economic crisis. The Group is confident in the prospect of China's property market and will continue to identify and invest in suitable property projects.

Financial Review

The Group continues to adopt a prudent financial policy and maintains a sound capital structure with healthy cashflow. As at 30 September 2010, the Group's cash on hand was approximately HK\$1,145 million (31 March 2010: HK\$1,463 million) while total assets and net assets (after deducting non-controlling interests) were approximately HK\$4,779 million (31 March 2010: HK\$4,836 million) and HK\$1,590 million (31 March 2010: HK\$1,474 million) respectively. As at 30 September 2010, the Group's working capital amounted to HK\$1,335 million (31 March 2010: HK\$816 million).

As at 30 September 2010, the Group did not have any net debt gearing. Acquisition of additional interest in a subsidiary and increase in capital expenditure led to a decrease in net cash balance from HK\$759 million as at 31 March 2010 to HK\$401 million as at 30 September 2010. Contingent liabilities in relation to guarantees of performance bonds increased from HK\$135 million as at 31 March 2010 to HK\$163 million as at 30 September 2010. Certain of the Group's assets with a book value of approximately HK\$513 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were mostly denominated in Hong Kong dollars and Euro loan facilities have also been arranged. Currency exposure in Euro borrowings has been monitored by entering Euro forward contracts when the need arises.

Employment and Remuneration Policies

The Group, including its subsidiaries in Hong Kong and the PRC, employed approximately 1,510 employees as at 30 September 2010. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Fringe benefits include provident fund, medical insurance and training. In addition, share options may also be granted in accordance with the terms of the Group's approved share option scheme.

Interim Dividend

The Board has resolved to declare an interim dividend of HK2.0 cents (2009: HK1.5 cents) per ordinary share for the six months ended 30 September 2010. The interim dividend will be payable on 28 December 2010 to shareholders whose names appear on the Company's register of members on 15 December 2010.

Management Discussion and Analysis

Closure of Register of Members

The register of members of the Company will be closed from Monday, 13 December 2010 to Wednesday, 15 December 2010, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for entitlement to the interim dividend for the six months ended 30 September 2010, all transfers for shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged for registration with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 10 December 2010.



Corporate Governance

During the period under review, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) save for the following deviations:

Code Provision A4.1 stipulates that non-executive directors should be appointed for a specific term subject to re-election.

The independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company. As such, the Board is of the view that the non-executive directors of the Company need not be appointed for a specific term.

Code Provision A4.2 stipulates every director should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, at each annual general meeting, one third of the directors shall retire from office by rotation provided that notwithstanding anything therein. The chairman of the Board and the managing director of the Company shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the roles of the chairman and the managing director provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the chairman of the Board and the managing director of the Company should not be subject to retirement by rotation.

Audit Committee

The Group’s audit committee comprises three members, Mr. Fan Chor Ho Paul, Mr. Tse Man Bun and Mr. Lung Chee Ming George who are independent non-executive directors of the Company. The Chairman of the Audit Committee is Mr. Fan Chor Ho Paul.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors and provide advice and comments to the directors.

The unaudited interim financial statements of the Group for the six months ended 30 September 2010 have been reviewed by the Audit Committee.

Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules. Having made specific enquiries, all Directors confirmed that they have complied with the Model Code during the period.

Other Information

Directors' and Chief Executives' Interests and Long Positions in Shares and Underlying Shares

As at 30 September 2010, the interests and long positions of the directors and chief executives of the Company in the shares capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) Long positions in ordinary shares of the Company:

Name of directors	Number of ordinary shares held and nature of interest				Percentage of the Company's issued share capital
	Personal	Corporate	Other	Total	
Mr. Francis Cheung	35,407,865	256,325,000 ⁽¹⁾	54,247,200 ⁽²⁾	345,980,065	40.6
Mr. Fung Chiu Chak Victor	69,867,600	—	—	69,867,600	8.2
Mr. David Chien	100,271,020	—	—	100,271,020	11.8
Miss Jennifer Kwok	16,500,000	—	—	16,500,000	1.9
Mr. Chiu Chin Hung	6,000,000	—	—	6,000,000	0.7
Mr. Wong Kay	10,765,000	—	—	10,765,000	1.3
Mr. Tse Man Bun	442,000	—	—	442,000	0.1

Notes:

- 171,237,000 shares were held by Power Link Investments Limited and 85,088,000 shares were held by Long Billion International Limited. Both of these companies are controlled by Mr. Francis Cheung.
- Such shares were held by a discretionary trust, the founder of which is Mr. Francis Cheung.

(ii) Long positions in shares of associated corporations of the Company:

Name of directors	Name of associated corporation	Number of ordinary shares held and nature of interest		
		Personal	Corporate	Total
Mr. Fung Chiu Chak Victor	Tysan Building Construction Company Limited	—	5,202,000 ⁽¹⁾	5,202,000
	Tysan Engineering Company Limited	800	—	800
	Tysan Trading Company Limited	26	—	26
Miss Jennifer Kwok	Tysan Trading Company Limited	24	—	24
Mr. Wong Kay	Tysan Engineering Company Limited	2,200	—	2,200

Notes:

- These shares were held by Victor Create Limited which was owned as to 60% by Mr. Fung Chiu Chak Victor and as to 40% by Mr. Cheung Harvey Jackel.

Save as disclosed above, as at 30 September 2010, none of the directors or chief executives of the Company had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Directors' and Chief Executive's Rights to Acquire Shares or Debentures

The Company currently operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, independent non-executive directors and other employees of the Group.

Details of movements in the Company's share option outstanding during the period are set out below:

Name or category of participant	Number of share options					Date of grant	Exercise period*	Exercise price*** HK\$
	At 1 April 2010	Granted during the period	Exercised during the period****	Expired during the period	At 30 September 2010			
Directors								
Mr. Francis Cheung	2,000,000	—	(2,000,000)	—	—	24-8-2007	24-8-2007 to 23-8-2011*	0.82
Mr. Fung Chiu Chak Victor	8,000,000	—	(3,000,000)	—	5,000,000	24-8-2007	24-8-2007 to 23-8-2011*	0.82
Mr. David Chien	1,500,000	—	(750,000)	—	750,000	24-8-2007	24-8-2007 to 23-8-2011*	0.82
Miss Jennifer Kwok	3,500,000	—	—	—	3,500,000	24-8-2007	24-8-2007 to 23-8-2011*	0.82
Mr. Chiu Chin Hung	2,500,000	—	(1,000,000)	—	1,500,000	24-8-2007	24-8-2007 to 23-8-2011*	0.82
Mr. Wong Kay	5,000,000	—	—	—	5,000,000	24-8-2007	24-8-2007 to 23-8-2011*	0.82
Other employees								
In aggregate	3,850,000	—	(250,000)	—	3,600,000	24-8-2007	24-8-2007 to 23-8-2011*	0.82
In aggregate	—	3,000,000	—	—	3,000,000	17-9-2010	17-9-2010 to 16-9-2013**	1.46
	<u>26,350,000</u>	<u>3,000,000</u>	<u>(7,000,000)</u>	<u>—</u>	<u>22,350,000</u>			

Notes to the table of share options outstanding during the period:

* Each grantee is allowed to exercise up to 25% of share options granted from the date of grant up to and including 23 August 2008. Thereafter, the percentage of the share options which may be exercised by each grantee is increased to 50% for the period from 24 August 2008 up to and including 23 August 2009, further to 75% for the period from 24 August 2009 up to and including 23 August 2010, and further to 100% for the period from 24 August 2010 up to and including 23 August 2011.

** The grantee is allowed to exercise up to 33.33% of share options granted from the date of grant up to and including 16 September 2011. Thereafter, the percentage of the share options which may be exercised by the grantee is increased to 66.67% for the period from 17 September 2011 up to and including 16 September 2012, and further to 100% for the period from 17 September 2012 up to and including 16 September 2013.

*** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

**** The weighted average closing prices immediately before the dates on which the options were exercised were HK\$1.15.

Save for the above, at no time during the period ended 30 September 2010 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or chief executives or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Other Information

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 September 2010, the following interest of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Number of ordinary shares held	Percentage of the Company's issued share capital
Power Link Investments Limited ⁽¹⁾	171,237,000	20.1
Eastern Glory Development Limited ⁽²⁾	256,325,000	30.1
Goldcrest Enterprises Limited ⁽²⁾	256,325,000	30.1
Bofield Holdings Limited ⁽²⁾	256,325,000	30.1
Long Billion International Limited ⁽¹⁾	85,088,000	10.0

Notes:

1. The above interests of Power Link Investments Limited and Long Billion International Limited have also been disclosed as corporate interests of Mr. Francis Cheung in the section headed "Directors' and chief executives' interests and long positions in shares and underlying shares" above.
2. These parties were deemed to have interests in the 256,325,000 shares by virtue of their equity interests in Power Link Investments Limited and Long Billion International Limited.

Apart from the foregoing, as at 30 September 2010, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and long positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Disclosures Pursuant to Rule 13.21 of the Listing Rules

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of one of the Company's loan agreements, which contains covenants requiring performance obligations of the controlling shareholder of the Company. Pursuant to a facility agreement entered into by the Company and a wholly-owned subsidiary of the Company with a syndicate of banks and financial institutions on 24 February 2010 for a five-year term loan facility of up to HK\$300,000,000, a termination event would arise if Mr. Francis Cheung, the controlling shareholder of the Company, ceased to own and control either directly or indirectly in aggregate at least 30% of the shareholdings and voting rights in the Company.

Purchase, Sale or Redemption of Listed Securities of the Company

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



Unaudited Interim Financial Statements

Consolidated Income Statement

		Six months ended 30 September	
		2010	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>Unaudited</i>	<i>Unaudited</i>
	<i>Notes</i>		
REVENUE	2	1,382,004	1,068,574
Cost of sales		(983,647)	(694,162)
Gross profit		<u>398,357</u>	<u>374,412</u>
Other income and gains	3	6,184	13,026
Selling expenses		(6,179)	(6,149)
Administrative expenses		(20,474)	(18,549)
Changes in fair value of investment properties		(25,953)	57,544
Other expenses, net		(14,126)	(1,480)
Finance costs		(6,445)	(6,594)
Share of results of associates		687	(220)
PROFIT BEFORE TAX	4	<u>332,051</u>	<u>411,990</u>
Income tax expense	5	(187,065)	(157,387)
PROFIT FOR THE PERIOD		<u><u>144,986</u></u>	<u><u>254,603</u></u>
Attributable to:			
Ordinary equity holders of the Company		131,872	192,183
Non-controlling interests		13,114	62,420
		<u><u>144,986</u></u>	<u><u>254,603</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		<u>15.56 cents</u>	<u>22.92 cents</u>
Diluted		<u>15.42 cents</u>	<u>22.85 cents</u>

Details of the dividends are disclosed in note 6 to the financial statements.

Unaudited Interim Financial Statements

Consolidated Statement of Comprehensive Income

	Six months ended 30 September	
	2010 <i>HK\$'000</i> <i>Unaudited</i>	2009 <i>HK\$'000</i> <i>Unaudited</i>
PROFIT FOR THE PERIOD	144,986	254,603
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of financial statements of overseas subsidiaries	49,780	2,459
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>194,766</u>	<u>257,062</u>
Attributable to:		
Ordinary equity holders of the Company	157,340	191,598
Non-controlling interests	37,426	65,464
	<u>194,766</u>	<u>257,062</u>

Unaudited Interim Financial Statements

Consolidated Statement of Financial Position

		As at 30 September 2010 <i>HK\$'000</i> <i>Unaudited</i>	As at 31 March 2010 <i>HK\$'000</i> <i>(As restated)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	8	313,366	284,777
Investment properties		366,776	1,258,540
Properties under development		419,416	346,769
Deposit paid		360,790	353,514
Interests in associates	9	29,607	19,632
Other assets		1,120	1,020
Deferred tax assets		89,090	63,071
Restricted cash		—	22,836
Total non-current assets		1,580,165	2,350,159
CURRENT ASSETS			
Property under development		14,831	265,888
Equity investments at fair value through profit or loss		3,825	4,002
Inventories		12,135	25,910
Properties held for sale		456,703	197,649
Amounts due from customers for contract works		73,507	92,639
Trade receivables	10	458,509	397,441
Other receivables, prepayments and deposits		42,440	54,167
Derivative financial instruments		209	12
Tax prepaid		6,440	7,403
Time deposits		895,988	952,375
Restricted cash		34,959	91,344
Cash and bank balances		214,390	396,865
		2,213,936	2,485,695
Assets of a disposal group held for sale	16	984,719	—
Total current assets		3,198,655	2,485,695

Unaudited Interim Financial Statements

Consolidated Statement of Financial Position (continued)

	Notes	As at 30 September 2010 <i>HK\$'000</i> <i>Unaudited</i>	As at 31 March 2010 <i>HK\$'000</i> <i>(As restated)</i>
CURRENT LIABILITIES			
Trade payables and accruals	11	536,410	376,529
Other payables, deposits received and receipts in advance		16,072	38,012
Derivative financial instruments		16	293
Amounts due to customers for contract works		255,864	201,434
Deposits received		65,899	438,315
Interest-bearing bank borrowings		345,386	194,537
Tax payable		399,788	420,440
		1,619,435	1,669,560
Liabilities directly associated with a disposal group classified as held for sale	16	244,532	—
Total current liabilities		1,863,967	1,669,560
NET CURRENT ASSETS		1,334,688	816,135
TOTAL ASSETS LESS CURRENT LIABILITIES		2,914,853	3,166,294
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		398,980	510,238
Derivative financial instruments		10,243	1,453
Loan from an associate	9	24,560	24,560
Deferred tax liabilities		173,574	345,027
Total non-current liabilities		607,357	881,278
Net assets		2,307,496	2,285,016
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	12	85,231	84,531
Reserves		1,504,678	1,389,611
		1,589,909	1,474,142
Non-controlling interests		717,587	810,874
Total equity		2,307,496	2,285,016

Unaudited Interim Financial Statements

Consolidated Statement of Changes in Equity

	Attributable to ordinary equity holders of the Company								
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2010	84,531	528,111*	10,950*	8,012*	158,138*	684,400*	1,474,142	810,874	2,285,016
Total comprehensive income for the period	—	—	—	—	25,468	131,872	157,340	37,426	194,766
Acquisition of additional interests in a subsidiary from non-controlling interests**	—	—	—	—	—	(22,020)	(22,020)	(145,748)	(167,768)
Final 2010 dividend paid	—	—	—	—	—	(25,472)	(25,472)	—	(25,472)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(38,097)	(38,097)
Loan from non-controlling interests	—	—	—	—	—	—	—	58,020	58,020
Exercise of share options	700	8,589	(3,549)	—	—	—	5,740	—	5,740
Equity-settled share option arrangements	—	—	896	—	—	—	896	—	896
Disposal of interests in subsidiaries (note 15)	—	—	—	—	—	—	—	(5,605)	(5,605)
Transfer from retained profits	—	—	—	393	—	(1,110)	(717)	717	—
At 30 September 2010	85,231	536,700*	8,297*	8,405*	183,606*	767,670*	1,589,909	717,587	2,307,496

* These reserves accounts comprise the consolidated reserves of HK\$1,504,678,000 (31 March 2010: HK\$1,389,611,000) in the consolidated statement of financial position.

** On 18 August 2010, the Group acquired additional 20% interest in a subsidiary. A cash consideration of HK\$167,768,000 was paid to the non-controlling interest shareholder. The carrying value of the net assets of the subsidiary at acquisition date was HK\$728,739,000, and the carrying value of the additional interest acquired was HK\$145,748,000. The difference of \$22,020,000 between the consideration and the carrying value of the interest acquired was recognised in retained earnings within equity.



Unaudited Interim Financial Statements

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	<i>Unaudited</i>	<i>Unaudited</i>
Net cash flows from/(used in) operating activities	(42,450)	648,201
Net cash flows used in investing activities	(140,050)	(96,583)
Net cash flows from/(used in) from financing activities	33,917	(33,725)
Net increase/(decrease) in cash and cash equivalents	(148,583)	517,893
Cash and cash equivalents at beginning of period	1,113,848	219,688
Effect of foreign exchange rate changes, net	19,739	257
Cash and cash equivalents at end of period	<u>985,004</u>	<u>737,838</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	252,218	412,430
Non-pledged time deposits with original maturity of less than three months when acquired	<u>732,786</u>	<u>325,408</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	985,004	737,838
Non-pledged time deposits with original maturity of more than three months when acquired	211,296	5,696
Less: Cash and cash equivalents attributable to the disposal group	<u>(85,922)</u>	—
Cash and cash equivalents as stated in the consolidated statement of financial position	<u><u>1,110,378</u></u>	<u><u>743,534</u></u>

Unaudited Interim Financial Statements

Notes to Unaudited Interim Financial Statements

1. Basis of preparation and accounting policies

The unaudited interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and should be read in conjunction with the annual financial statements for the year ended 31 March 2010.

The accounting policies used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2010, except for adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective to the Group for accounting period beginning on 1 April 2010 as described below.

- (a) HKAS 17 (Amendment) "Leases" has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, the Group's interests in leasehold land were accounted for as prepaid operating leases which were amortised and recognised in the consolidated income statement over the unexpired lease terms using the straight-line method. As substantially all risks and rewards of the leasehold land are considered having been transferred to the Group based on HKAS 17 (Amendment), the Group's interests in leasehold land are now accounted for as assets held under finance leases and are stated at cost less accumulated depreciation. The amendment has been applied retrospectively. Comparative information has been restated to reflect this change in accounting policy.

Effect of change on consolidated statement of financial position:

	Effect of adoption HKAS 17 (Amendment)	
	30 September 2010 <i>HK\$'000</i>	31 March 2010 <i>HK\$'000</i>
Increase/(decrease) in:		
Property, plant and equipment	102,176	103,566
Prepaid land lease payments	(102,176)	(103,566)
	<u>—</u>	<u>—</u>



Unaudited Interim Financial Statements

1. Basis of preparation and accounting policies (continued)

- (b) HKAS 27 (Revised) "Consolidated and Separate Financial Statements" requires that an increase or a decrease in ownership interest in a subsidiary that does not result in the Group losing control over the subsidiary is accounted for as a transaction with owners in their capacity as owners and is dealt with in reserves and attributed to the shareholders of the Company, with no impact to goodwill or income statement. Previously, such transactions impact goodwill and give rise to gains or losses. When control of a subsidiary is lost as a result of a transaction, event or other circumstances, HKAS 27 (Revised) requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when the control is lost, with the resulting fair value re-measurement gain or loss being recognised in the income statement. Previously, the retained interest in the former subsidiary is recognised at its carrying amount at the date when the control is lost and it does not give rise to fair value re-measurement gain or loss.

The adoption of these revised standards has affected the accounting for acquisitions and transactions with non-controlling interests and disposal of subsidiaries during the current period.

The Group has not early adopted any new accounting and financial reporting standards, amendments to existing standards and interpretations which have been issued but are not yet effective. The Group is in the process of making an assessment on the impact of these new/ revised standards, amendments and interpretations and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

The unaudited interim financial statements were approved and authorised for issue by the board of directors on 25 November 2010.

Unaudited Interim Financial Statements

2. Segment information

The Group's businesses are structured and managed separately according to the nature of their operations and the products and services they provided. Operating segments are reported in a manner consistent with internal reporting to the Company's key management personnel.

	Foundation piling		E&M engineering and building construction		Machinery hiring and trading		Property investment and management		Property development		Unallocated		Eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:																
Sales to external customers	828,007	439,006	18,304	22,672	5,297	10,206	51,644	51,644	476,772	545,046	—	—	—	—	1,382,004	1,068,574
Intersegment sales	—	—	1,889	—	9	8	—	—	—	—	—	—	(1,898)	(8)	—	—
Total	828,007	439,006	20,193	22,672	5,306	10,214	51,644	51,644	476,772	545,046	—	—	(1,898)	(8)	1,382,004	1,068,574
Segment results	61,108	47,017	1,739	2,459	(3,103)	1,151	(7,313)	82,103	310,905	302,093	(26,724)	(16,282)	—	—	356,612	418,541
Interest income															1,095	171
Dividend income from listed investments															102	92
Finance costs															(6,445)	(6,594)
Share of results of associates															687	(220)
Profit before tax															332,051	411,990
Income tax expense															(187,065)	(157,387)
Profit for the period															144,986	254,603



Unaudited Interim Financial Statements

3. Other income and gains

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Interest income	1,095	171
Insurance claims	767	—
Fair value gains on equity investments at fair value through profit or loss, net	—	1,355
Gain on disposal of investment property	136	6,156
Gain on disposal of items of property, plant and equipment	131	1,380
Gain on disposal of interests in subsidiaries	—	155
Foreign exchange gains, net	1,113	—
Subsidy income*		
Others	396	2,468
	<u>2,546</u>	<u>1,341</u>
	<u><u>6,184</u></u>	<u><u>13,026</u></u>

* There are no unfulfilled conditions or contingencies relating to this income

4. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Depreciation	25,975	24,419
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss	(177)	(1,355)
Derivative instruments – transaction not qualifying as hedge	10,589	—
Gain on disposal of units of an investment property	(136)	(6,156)
Gain on disposal of items of property, plant and equipment	(131)	(1,380)
Loss/(gain) on disposal of interests in subsidiaries (Note 15)	545	(155)
Impairment of trade receivables, net	—	140
Impairment of other assets	114	—
Interest expenses	6,445	7,461
Less : Interest capitalised in properties under development	—	(867)
	<u>6,445</u>	<u>6,594</u>

Unaudited Interim Financial Statements

5. Income Tax

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Provision for tax in respect of profit for the period:		
PRC:		
Hong Kong	3,905	4,864
Elsewhere	175,615	147,535
Overprovision in prior period:		
PRC:		
Hong Kong	—	—
Elsewhere	—	(936)
	<u>179,520</u>	<u>151,463</u>
Deferred tax charge for the period	7,545	5,924
	<u>187,065</u>	<u>157,387</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere in the People's Republic of China have been calculated at the applicable tax rates prevailing in the areas in which the Group operates.

6. Dividend

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Interim dividend HK2.0 cents (2009:HK1.5 cents) per ordinary share	<u>17,046</u>	<u>12,588</u>

Notes:

- A final dividend of HK3.0 cents per ordinary share, totally approximately HK\$25,472,000 for the year ended 31 March 2010 was approved in the Company's Annual General Meeting on 3 August 2010 and paid on 16 August 2010.
- An interim dividend in respect of six months ended 30 September 2010 of HK2.0 cents per ordinary share, amounting to HK\$17,046,000 was approved at the board meeting on 25 November 2010. The interim dividend has not been recognised as a liability in the consolidated interim financial statements.

Unaudited Interim Financial Statements

7. Earnings per share

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$131,872,000 (2009: HK\$192,183,000), and the weighted average number of 847,774,920 (2009: 838,532,843) ordinary shares in issue during the period.

The calculation of the diluted earnings per share amount for the period ended 30 September 2010 is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$131,872,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of share options into ordinary shares during the period of 855,130,046.

8. Property, plant and equipment

During the period, the Group acquired assets with a cost of HK\$62,645,000 (2009: HK\$15,577,000) to expand its business. Assets with a net book value of HK\$359,000 were disposed of by the Group during the six months ended 30 September 2010 (2009: HK\$124,000) resulting in a net gain on disposal of HK\$131,000 (2009: HK\$1,380,000).

9. Interest in associates

	As at 30 September 2010 <i>HK\$'000</i>	As at 31 March 2010 <i>HK\$'000</i>
Share of net assets	22,352	17,182
Amount due from an associate	4,289	284
Loan to an associate	3,250	2,450
	<hr/>	<hr/>
	29,891	19,916
Less: Impairment	(284)	(284)
	<hr/>	<hr/>
	29,607	19,632
	<hr/> <hr/>	<hr/> <hr/>

The amount due from an associate and the loan to an associate are unsecured, interest-free and has no fixed terms of repayment.

The loan from an associate included in the Group's non-current liabilities of HK\$24,560,000 (31 March 2010: HK\$24,560,000) is unsecured, interest free and will not be repayable within 12 months from 30 September 2010.

The Group's trade receivables and payable balances with the associates are disclosed in notes 10 and 11 to the financial statements, respectively.

Unaudited Interim Financial Statements

10. Trade receivables

The Group has established credit policies that follow local industry standards. The average normal credit periods offered to trade customers other than for retention receivables are within 90 days, and are subject to periodic review by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

	As at 30 September 2010 <i>HK\$'000</i>	As at 31 March 2010 <i>HK\$'000</i>
Trade receivables	458,539	397,471
Impairment	(30)	(30)
	<u>458,509</u>	<u>397,441</u>

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	As at 30 September 2010 <i>HK\$'000</i>	As at 31 March 2010 <i>HK\$'000</i>
Trade receivables:		
Within 90 days	335,202	282,348
91 to 180 days	1,517	1,759
181 to 360 days	2,197	1,643
Over 360 days	255	32
	<u>339,171</u>	<u>285,782</u>
Retention receivables	119,338	111,659
	<u>458,509</u>	<u>397,441</u>

Included in the trade receivables are amounts due from associates of HK\$1,505,000 (31 March 2010: HK\$601,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

Unaudited Interim Financial Statements

11. Trade payables and accruals

	As at 30 September 2010 <i>HK\$'000</i>	As at 31 March 2010 HK\$'000
Trade payables:		
Within 30 days	162,165	98,525
31 to 90 days	31,840	3,718
91 to 180 days	1,458	481
Over 180 days	10,775	10,168
	<hr/>	<hr/>
Retention payables	206,238	112,892
Accruals	111,994	112,894
	<hr/>	<hr/>
	218,178	150,743
	<hr/>	<hr/>
	536,410	376,529
	<hr/> <hr/>	<hr/> <hr/>

Included in the trade payables as at 31 March 2010, are amounts due to associates of HK\$124,000, which are of similar credit terms to those offered by the associates to their major customers.

12. Share capital

	As at 30 September 2010 <i>HK\$'000</i>	As at 31 March 2010 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
	<hr/>	<hr/>
Issued and fully paid:		
At 1 April 2010: 845,315,903 ordinary shares of HK\$0.10 each	84,531	83,821
Issue of 7,000,000 shares under a share option scheme	700	710
	<hr/>	<hr/>
At 30 September 2010: 852,315,903 ordinary shares	85,231	84,531
	<hr/> <hr/>	<hr/> <hr/>

During the period ended 30 September 2010, share options were exercised resulting in 7,000,000 shares being issued (2009: 1,000,000), with exercise proceeds of HK\$5,740,000 (2009: HK\$820,000).

Unaudited Interim Financial Statements

13. Contingent liabilities

	As at 30 September 2010 <i>HK\$'000</i>	As at 31 March 2010 HK\$'000
Guarantees in respect of performance bonds	162,591	135,154

14. Commitments

	As at 30 September 2010 <i>HK\$'000</i>	As at 31 March 2010 HK\$'000
(a) Capital expenditure		
Authorised, but not contracted for	—	9,798
Contracted, but not provided for	13,075	52,563
	<u>13,075</u>	<u>62,361</u>
(b) Commitments under non-cancellable operating leases for land and buildings to make payments:		
Within one year	8,837	8,724
In the second to fifth years, inclusive	12,195	5,868
	<u>21,032</u>	<u>14,592</u>

In addition, the Group had contracted, but not provided for, commitments in respect of construction works relating to properties under development amounting to HK\$141,016,000 as at 30 September 2010 (31 March 2010: HK\$226,952,000).



Unaudited Interim Financial Statements

15. Disposal of interests in subsidiaries

On 22 September 2010, the Group disposed 10% interest in Tysan Trading Company Limited (“TTCL”) at a consideration of HK\$576,000. TTCL and its subsidiaries are principally engaged in the provision of general trading. Immediately after the disposal, the Group’s interest in TTCL reduced to 40% and TTCL and its subsidiaries became associates of the Group.

	<i>HK\$’000</i>
Net assets disposed of:	
Non-controlling interests	11,210
Loss on disposal	(5,605)
	<u>5,060</u>
Satisfied by:	
Interest in associates	4,484
Cash consideration	576
	<u>5,060</u>

The carrying amounts of net assets disposed of approximated to its fair value as at the date of disposal.

16. Disposal group classified as held for sale

On 12 June 2010, Tianjin Development Company Limited (“TDC”), a non wholly-owned subsidiary of the Company, Stonehill Limited (“Stonehill”), a wholly-owned subsidiary of the Company, and Tian An (Tianjin) Investment Company Limited, a company not within the Group, entered into a disposal agreement, subject to conditions precedent set out therein, to dispose all of their interest, inclusive of equity and debt interest in Consco Investment Company Limited (“Consco”), a non wholly-owned subsidiary of the Company, to an independent third party. The consideration for the disposal was approximately HK\$870 million, of which HK\$598 million will be receivable by TDC and Stonehill (the “Disposal”).

The principal business of Consco and its subsidiary is property investment. The Disposal constitutes a very substantial disposal of the Company under the Listing Rules. An announcement and a circular were made on 22 June 2010 and 28 July 2010 respectively on the Disposal.

Equity and debt interests were transferred and assigned to the buyer on 29 October 2010. At 30 September 2010, the assets and liabilities related to Consco and its subsidiary have been presented in the consolidated statement of financial position as “Assets of a disposal group held for sale” and “Liabilities directly associated with a disposal group classified as held for sale”.

Unaudited Interim Financial Statements

16. Disposal group classified as held for sale (continued)

The major classes of assets and liabilities of Consco and its subsidiary classified as held for sale as at 30 September 2010 were as follows:

	As at 30 September 2010 <i>HK\$'000</i>	As at 31 March 2010 HK\$'000
Assets		
Property, plant and equipment	6,644	—
Investment properties	889,200	—
Inventories	826	—
Trade receivables	1,181	—
Other receivables, prepayments and deposits	946	—
Time deposits	48,094	—
Cash and bank balances	37,828	—
	<hr/>	<hr/>
Assets classified as held for sale	984,719	—
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Trade payables and accruals	8	—
Other payables and deposits received	33,336	—
Tax payable	1,818	—
Deferred tax liabilities	209,370	—
	<hr/>	<hr/>
Liabilities directly associated with the assets classified as held for sale	244,532	—
	<hr/> <hr/>	<hr/> <hr/>
Net assets directly associated with the disposal group	740,187	—
	<hr/> <hr/>	<hr/> <hr/>



Unaudited Interim Financial Statements

17. Related party transactions

For the six months ended 30 September 2010, compensation to key management personnel of the Group amounted to HK\$9,383,000 (2009: HK\$9,392,000).

18. Event after the reporting period

On 15 November 2010, Duncan Properties Limited (“Duncan”), a wholly-owned subsidiary of the Company, entered into an acquisition agreement to acquire remaining 40% of equity interests in each of five non wholly-owned subsidiaries from the non-controlling shareholders at HK\$300,000,000, being the total consideration for the sale shares and sale debts (the “Acquisition”). The principal businesses of the non wholly-owned subsidiaries include property development, property investment and property management in the PRC. The Acquisition constitutes a discloseable and connected transaction of the Company under the Listing Rules and an announcement relating to the Acquisition was made on 16 November 2010.

Corporate Information

Board of Directors

Executive Directors

Mr Francis CHEUNG (*Chairman*)
Mr FUNG Chiu Chak Victor
(*Vice Chairman and Managing Director*)
Mr David CHIEN
Miss Jennifer KWOK
Mr CHIU Chin Hung
Mr WONG Kay
Mr LAU Kin Fai (appointed on 1 October 2010)
Mr CHEUNG Harvey Jackel (appointed on
1 October 2010)

Independent Non-Executive Directors

Mr FAN Chor Ho Paul
Mr TSE Man Bun
Mr LUNG Chee Ming George

Audit Committee

Mr FAN Chor Ho Paul (*Chairman*)
Mr TSE Man Bun
Mr LUNG Chee Ming George

Remuneration Committee

Mr Francis CHEUNG (*Chairman*)
Mr FAN Chor Ho Paul
Mr TSE Man Bun

Qualified Accountant

Miss MO Wai Ling

Company Secretary

Miss WONG Suk Han Kitty

Auditors

Ernst & Young
Certified Public Accountants

Legal Advisers

Conyers, Dill & Pearman
Szeto & Yeung

Principal Bankers

Bank of China (Hong Kong) Limited
BNP Paribas Hong Kong Limited
Hang Seng Bank Limited
Shanghai Commercial Bank Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Hang Bank, Limited

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687

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