



Tsun Yip Holdings Limited

進業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8356



Interim Report 2010/2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Tsun Yip Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM 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 report 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 report misleading.

HIGHLIGHTS

- The Company's ordinary shares of HK\$0.01 each (the "Shares") were listed on GEM of the Stock Exchange on 30 August 2010 by way of placing (the "Placing").
- The Group's turnover for the six months ended 30 September 2010 increased by approximately 80.0% to approximately HK\$96.3 million (2009: HK\$53.5 million).
- Profit attributable to owners of the Company for the six months ended 30 September 2010 decreased by approximately 2.3% to approximately HK\$6.3 million (2009: HK\$6.5 million).
- Basic earnings per Share for the six months ended 30 September 2010 was approximately HK8.03 cents (2009: HK8.73 cents).
- The Board declared an interim dividend of HK2 cents per Share for the six months ended 30 September 2010.

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 September 2010, together with the unaudited comparative figures for the corresponding periods in 2009, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 September 2010

		Six months ended		Three months ended	
		30 September		30 September	
		2010	2009	2010	2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	96,316	53,517	50,899	31,460
Cost of services		(83,985)	(42,517)	(46,090)	(25,205)
Gross profit		12,331	11,000	4,809	6,255
Other income	3	20	3	5	3
Administrative expenses		(4,667)	(2,957)	(2,362)	(1,419)
Profit from operations	5	7,684	8,046	2,452	4,839
Finance costs	7	(249)	(266)	(89)	(143)
Profit before income tax		7,435	7,780	2,363	4,696
Income tax	8	(1,089)	(1,286)	(387)	(775)
Profit and total comprehensive income for the period		<u>6,346</u>	<u>6,494</u>	<u>1,976</u>	<u>3,921</u>
Earnings per share attributable to owners of the Company	10				
– Basic and diluted (HK cents)		<u>8.03</u>	<u>8.73</u>	<u>2.36</u>	<u>5.27</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2010

	<i>Notes</i>	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	12,501	13,308
Current assets			
Inventories	12	12,497	9,788
Trade and other receivables	13	27,831	28,271
Cash and cash equivalents		27,772	10,330
		68,100	48,389
Total assets		80,601	61,697
Current liabilities			
Trade and other payables	15	24,804	24,451
Finance lease creditors	16	1,858	3,052
Borrowings	17	—	4,532
Employee benefits		702	473
Current tax liabilities		5,621	4,365
		32,985	36,873
Net current assets		35,115	11,516
Total assets less current liabilities		47,616	24,824
Non-current liabilities			
Finance lease creditors	16	471	826
Deferred tax liabilities		1,491	1,658
		1,962	2,484
Total liabilities		34,947	39,357
TOTAL NET ASSETS		45,654	22,340
Capital and reserves			
Share capital	18	992	9,868
Reserves		44,662	12,472
TOTAL EQUITY		45,654	22,340

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)*For the six months ended 30 September 2010*

	Share capital	Share premium account	Other reserves	Retained profit	Proposed dividend	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2010	9,868	—	—	8,472	4,000	22,340
Profit for the period	—	—	—	6,346	—	6,346
Reorganisation	(9,868)	—	9,868	—	—	—
Capitalisation issue	744	(744)	—	—	—	—
Placing of Shares	248	31,496	—	—	—	31,744
Share placement expenses	—	(10,776)	—	—	—	(10,776)
2010 final dividend paid	—	—	—	—	(4,000)	(4,000)
Proposed 2011 interim dividend	—	—	—	(1,984)	1,984	—
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 September 2010 (unaudited)	992	19,976	9,868	12,834	1,984	45,654
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 1 April 2009	9,868	—	—	14,204	—	24,072
Profit for the period	—	—	—	6,494	—	6,494
2010 interim dividend paid	—	—	—	(8,870)	—	(8,870)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 September 2009 (unaudited)	9,868	—	—	11,828	—	21,696
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*For the six months ended 30 September 2010*

	Six months ended 30 September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from operating activities	8,365	13,647
Net cash used in investing activities	(1,560)	(2,988)
Net cash flows from/(used in) financing activities	10,637	(59)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	17,442	10,600
Cash and cash equivalents at beginning of period	10,330	(1,579)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	27,772	9,021
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2010

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 March 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Island. The registered office and principal place of business of the Company are located at the offices of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Flat 314, 3/F., Fuk Shing Commercial Building, 28 On Lok Mun Street, Fanling, New Territories, Hong Kong respectively.

The Shares were listed on GEM of the Stock Exchange on 30 August 2010.

The principal activity of the Company is investment holding. The subsidiaries are engaged in the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong.

2. GROUP REORGANISATION, BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

Pursuant to a group reorganisation (the “Reorganisation”) effected on 11 August 2010 in preparation for the listing of the Shares on GEM of the Stock Exchange (the “Listing”) and for the purpose of rationalising the Group’s structure, the Company became the holding company of the subsidiaries now comprising the Group.

The Reorganisation involved business combinations of entities under common control. Accordingly, for the purpose of this report, the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2010 (the “Interim Financial Statements”) and the related notes thereto have been prepared on a combined basis by applying the principles of merger accounting in accordance with the Accounting Guideline No. 5 “Merger Accounting for Common Control Combination” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). On this basis, the Interim Financial Statements, including comparative figures, are presented as if the current group structure had been in existence throughout the six months ended 30 September 2009 and 2010, or since their respective dates of incorporation, where there is a shorter period.

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA and the disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those adopted in the accountants’ report included in the prospectus of the Company dated 20 August 2010 (the “Prospectus”), except for adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”). The Interim Financial Statements do not include all of the information required for annual financial statements and thereby they should be read in conjunction with the Group’s accountants’ report included in the Prospectus for the year ended 31 March 2010.

The Interim Financial Statements have been prepared under the historical cost convention and are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company and its subsidiaries.

2. GROUP REORGANISATION, BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new or amended HKFRSs

In the current period, the Group has adopted the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial period beginning on 1 April 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations

The adoption of these new and revised HKFRSs has had no material effect on the Interim Financial Statements.

Potential impact arising on HKFRSs not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group.

HKAS 24 (Revised)	Related Party Disclosures ¹
HKFRS 9	Financial Instruments ²

¹ Effective for annual periods beginning on or after 1 January 2011

² Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the potential impact of these standards, amendments or interpretations and the Directors so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND OTHER INCOME

An analysis of revenue and other income recognised during the periods are as follows:

	Six months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Turnover – revenue from construction works	96,316	53,517	50,899	31,460
Other income				
Sundry income	20	3	5	3

4. OPERATING SEGMENTS

During the periods, the Group was principally engaged in the waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong.

5. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging the following:

	Six months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs recognised as expense	83,985	42,517	46,090	25,205
Depreciation	2,364	1,583	1,207	836
Impairment loss on trade receivables	—	33	—	—
Loss on disposal of property, plant and equipment	3	37	3	37
Staff costs (note 6)	17,985	10,942	9,193	5,896
	<u>17,985</u>	<u>10,942</u>	<u>9,193</u>	<u>5,896</u>

6. STAFF COSTS

	Six months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs (including directors) comprise:				
Wages, salaries and other benefits	17,328	10,732	8,875	5,755
Contribution on defined contribution retirement plan	657	210	318	141
	<u>17,985</u>	<u>10,942</u>	<u>9,193</u>	<u>5,896</u>

7. FINANCE COSTS

	Six months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on finance lease	163	175	74	85
Interest on bank overdraft	—	15	—	1
Interest on bank loans wholly repayable within five years	86	76	15	57
	<u>249</u>	<u>266</u>	<u>89</u>	<u>143</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% for the three months and six months ended 30 September 2009 and 2010.

	Six months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax - Hong Kong profit tax				
– Current period	1,256	1,286	387	775
Deferred tax				
– Current period	(167)	—	—	—
	<u>1,089</u>	<u>1,286</u>	<u>387</u>	<u>775</u>

9. DIVIDENDS

The dividends distributed by the subsidiaries of the Company for the three months and six months ended 30 September 2009 and 2010 were as follows:

	Six months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dividends distributed				
by the subsidiaries (<i>Note</i>)	<u>4,000</u>	<u>8,870</u>	<u>—</u>	<u>245</u>

The Board declared an interim dividend of HK2 cents per Share, totalling HK\$1,984,000 for the six months ended 30 September 2010.

Note:

The amount represented dividends declared and paid by the Company's subsidiaries to their then shareholders prior to the Listing. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the purpose of the Interim Financial Statements.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic earnings per Share for the three months and six months ended 30 September 2010 are based on the unaudited consolidated profit of HK\$1,976,000 and HK\$6,346,000 attributable to owners of the Company for each of the three months and six months ended 30 September 2010 respectively (three months and six months ended 30 September 2009: HK\$3,921,000 and HK\$6,494,000 respectively) and the pro forma weighted average number of 83,565,218 Shares and 79,007,650 Shares in issue (pro forma weighted average number of Shares in issue for the three months and six months ended 30 September 2009: 74,400,000 Shares) as if they had been in issue throughout the periods.

There were no dilutive potential ordinary Shares in existence for the three months and six months ended 30 September 2010 during the periods and therefore no diluted earnings per Share amounts have been presented.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2010, the Group acquired items of property, plant and equipment with a cost of HK\$1,560,000 (six months ended 30 September 2009: HK\$5,283,000). During the six months ended 30 September 2010, items of property, plant and equipment with carrying value of HK\$3,000 were disposed of (six months ended 30 September 2009: HK\$250,000).

12. INVENTORIES

	As at 30 September 2010 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 March 2010 <i>(Audited)</i> <i>HK\$'000</i>
Construction materials	12,497	9,788

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2010 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 March 2010 <i>(Audited)</i> <i>HK\$'000</i>
Trade receivables	5,826	2,612
Retention receivables	5,806	6,495
Other receivables and prepayments	7,475	7,935
Amounts due from customers for contract works <i>(note 14)</i>	7,226	10,635
Deposits	1,498	594
	<u>27,831</u>	<u>28,271</u>

Included in trade and other receivables are trade receivables (net of impairment losses) with the following ageing analysis at the end of reporting periods:

	As at 30 September 2010 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 March 2010 <i>(Audited)</i> <i>HK\$'000</i>
Current	5,826	2,612
Less than 1 month past due	—	—
1 to 3 months past due	—	—
More than 3 months but less than 12 months past due	—	—
	<u>5,826</u>	<u>2,612</u>

The Group grants an average credit period of 30 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

14. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	As at 30 September 2010 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 March 2010 <i>(Audited)</i> <i>HK\$'000</i>
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date plus recognised profits	303,381	210,075
Less: recognised losses	—	—
	<u>303,381</u>	<u>210,075</u>
Progress billings	(296,155)	(199,440)
	<u>7,226</u>	<u>10,635</u>

15. TRADE AND OTHER PAYABLES

Details of the trade and other payables including ageing analysis of trade payables at the end of the reporting periods are as follows:

	As at 30 September 2010 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 March 2010 <i>(Audited)</i> <i>HK\$'000</i>
Current or less than 1 month	10,846	5,418
1 to 3 months	642	1,104
More than 3 months but less than 12 months	28	385
More than 12 months	399	1,139
	<u>11,915</u>	<u>8,046</u>
Trade payables	11,915	8,046
Retention money payables	2,688	2,854
Advance received from customers	5,897	9,550
Other payables and accruals	4,304	4,001
	<u>24,804</u>	<u>24,451</u>

16. LEASES

(a) Finance leases

The Group leases a number of its motor vehicles and machinery and such leases are classified as finance leases.

As at 30 September 2010, the total future lease payments were due as follows:

	As at 30 September 2010		
	Minimum lease payments	Interest	Present value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Not later than one year	2,006	148	1,858
Later than one year and not later than five years	492	21	471
	<u>2,498</u>	<u>169</u>	<u>2,329</u>
	As at 31 March 2010		
	Minimum lease payments	Interest	Present value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Not later than one year	3,335	283	3,052
Later than one year and not later than five years	875	49	826
	<u>4,210</u>	<u>332</u>	<u>3,878</u>

Pursuant to the terms of the finance leases in respect of certain motor vehicles and rental arrangements in respect of certain photocopying machines of the Group, Mr. Kan Kwok Cheung ("Mr. Kan"), an executive Director, has provided personal guarantees in respect of the payment obligations of the Group under the finance leases and rental arrangements.

(b) Operating lease - lessee

The Group leases its office property, Director's quarter and certain office equipment under operating lease arrangement which was negotiated for terms from two to three years with an option to renew the leases upon expiry when all terms are renegotiated. None of the leases included contingent rentals.

The lease payments recognised as an expenses are as follows:

	As at 30 September 2010	As at 31 March 2010
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments	<u>536</u>	<u>991</u>

16. LEASES (Continued)

(b) Operating lease – lessee (Continued)

The total future minimum lease payments are due as follows:

	As at 30 September 2010 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 March 2010 <i>(Audited)</i> <i>HK\$'000</i>
Not later than one year	744	658
Later than one year and not later than five years	347	412
Later than five years	—	—
	<u>1,091</u>	<u>1,070</u>

17. BORROWINGS

	As at 30 September 2010 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 March 2010 <i>(Audited)</i> <i>HK\$'000</i>
Interest bearing:		
Bank loans – on demand	<u>—</u>	<u>4,532</u>

The bank loans together with the banking facilities were secured by personal guarantees executed by Mr. Kan and a cross guarantee from a subsidiary, Tsun Yip Civil Construction Company Limited.

On 9 July 2010, Mr. Kan repaid all the outstanding bank loans on behalf of the Group and the Group in turn fully repaid the loan to Mr. Kan on 11 September 2010. The personal guarantees of Mr. Kan provided for the loans and other banking facilities will be released in six months from the date of aforesaid repayment.

18. SHARE CAPITAL

	<i>Notes</i>	Number of shares <i>(Unaudited)</i>	Nominal value <i>(Unaudited)</i> <i>HK\$'000</i>
Authorised			
As at 1 April 2010		38,000,000	380
Increase in authorised share capital		49,962,000,000	499,620
		<u>50,000,000,000</u>	<u>500,000</u>
As at 30 September 2010		<u>50,000,000,000</u>	<u>500,000</u>
Issued			
As at 1 April 2010	(a)	—	9,868
Reorganisation		—	(9,868)
Issue of Shares in connection with the Reorganisation		1,000	—
Issue of Shares pursuant to the Placing	(b)	24,800,000	248
Capitalisation of share premium account	(c)	74,399,000	744
		<u>99,200,000</u>	<u>992</u>
As at 30 September 2010		<u>99,200,000</u>	<u>992</u>

Notes:

- (a) The share capital of the Group as at 1 April 2010 represented the aggregate amount of the nominal value of the issued share capital of the entities now comprising the Group.
- (b) An aggregate of 24,800,000 new Shares, each were issued at the price of HK\$1.28 per Share pursuant to the Placing.
- (c) Upon the share premium account of the Company being credited as a result of the Placing, a total of 74,399,000 new Shares were issued and allotted, credited as fully paid at par, by way of capitalisation of the sum of HK\$743,990 standing to the credit of the share premium account of the Company, to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at the close of business on 11 August 2010.

19. RELATED PARTY TRANSACTIONS

(a) During the periods, the Group entered into the following related party transactions:

Related party relationship	Type of transaction	Transaction amount			
		Six months ended		Three months ended	
		30 September		30 September	
		2010	2009	2010	2009
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
A company that Mr. Chia Thien Loong, Eric John ("Mr. Chia"), an executive Director, had material interest	Rental expenses paid for an office premise <i>(note (i))</i>	24	20	12	12
	Service fee for announcement posting services	9	—	9	—
	Director's loan to the Company <i>(note (iv))</i>	—	3,000	—	3,000
Spouse of Mr. Fung Chung Kin ("Mr. Fung"), an executive Director	Sale of a motor vehicle to the Group <i>(note (ii))</i>	—	150	—	150
Mr. Kan, an executive Director	Shareholder's loan to the Group <i>(note (iii))</i>	4,040	—	—	—
Mr. Cheng Ka Ming, Martin ("Mr. Cheng"), an executive Director	Director's loan to the Group <i>(note (v))</i>	—	4,500	—	500

Notes:

- (i) Rental expense was charged at a term mutually agreed between the Group and the related company.
- (ii) The purchase of motor vehicle from the spouse of Mr. Fung was made according to the published price. This related transaction is one-off in nature.
- (iii) The loan was repaid to Mr. Kan on 11 September 2010.
- (iv) The loan was repaid to Mr. Chia on 30 March 2010.
- (v) The loan was repaid to Mr. Cheng on 30 March 2010.

Mr. Kan, an executive Director and the controlling Shareholder, has provided personal guarantee to the lessor in respect of the Group's obligations under certain finance lease, operating lease and bank borrowings as at each of the reporting periods as disclosed in notes 16 and 17.

19. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel of the Group

	Six months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	<u>1,704</u>	<u>1,262</u>	<u>922</u>	<u>672</u>

20. SUBSEQUENT EVENTS

The Board is not aware of any significant events taken place subsequent to 30 September 2010 and up to the date of approval of this Interim Financial Statements by the Board.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company's shares were successfully listed on GEM of the Stock Exchange on 30 August 2010. Benefited from the Listing, the Group has strengthened its capital base to support its further business development.

The Group is principally engaged in the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. During the six months ended 30 September 2010, the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong.

During the six months ended 30 September 2010, the Group has been undertaking two main contracts and four subcontracts, all of which are related to provision of waterworks engineering services. Details of the contracts undertaken are set out below:

	Contract number	Particulars of contract
Main contracts	3/WSD/09	Water supply to Ta Tit Yan, Tai Po – construction of water tank, pump house and mainlaying
	9/WSD/09	Replacement and rehabilitation of water mains stage 3 – mains in Sai Kung (the “New Project”)
Subcontracts	21/WSD/06	Replacement and rehabilitation of water mains stage 2 – mains in Tai Po and Fanling
	18/WSD/08	Replacement and rehabilitation of water mains stage 3 – mains on Hong Kong Island South and outlying islands
	1/WSD/09(W)	Term contract for Waterworks District W – New Territories West
	16/WSD/09	Salt water supply for Northwest New Territories, mainlaying in Yuen Long

Among the above six contracts, one main contract (contract numbered 9/WSD/09) and one subcontract (contract numbered 16/WSD/09) were newly awarded during the six months ended 30 September 2010.

During the period under review, the two subcontracts with contracts numbered 18/WSD/08 and 21/WSD/06 were the main contributors to the Group's revenue, which generated approximately HK\$40.1 million and HK\$34.2 million revenue, constituting approximately 41.6% and 35.5% of the Group's total revenue respectively.

Financial Review

Revenue

For the six months ended 30 September 2010, the Group reported a turnover of approximately HK\$96.3 million (2009: HK\$53.5 million), representing an increase of approximately 80.0% as compared with that for the same period of the previous year. The higher turnover was mainly due to the increase in works from the contract for replacement and rehabilitation of water mains stage 3 – mains on Hong Kong Island South and outlying islands (contract numbered 18/WSD/08) and the full period revenue contribution from the term contract for Waterworks District W – New Territories West (contract numbered 1/WSD/09(W)) which commenced in September 2009.

During the period under review, the revenue of the Group was primarily generated from the undertaking of waterworks contracts in the capacity of a subcontractor. The subcontracting revenue amounted to approximately HK\$86.9 million (2009: HK\$45.2 million), representing approximately 90.2% of the total revenue for the period (2009: 84.5%). On the other hand, the revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor amounted to approximately HK\$9.4 million (2009: HK\$8.3 million), representing approximately 9.8% of the total revenue for the period (2009: 15.5%).

Cost of Service

The Group's cost of service increased by approximately 97.5% to approximately HK\$84.0 million for the six months ended 30 September 2010 as compared with that for the same period of previous year (2009: HK\$42.5 million). Cost of service mainly include raw materials, direct labour and subcontracting fee for services provided by the subcontractors.

Gross Profit

The gross profit of the Group for the six months ended 30 September 2010 increased by approximately 12.1% to approximately HK\$12.3 million as compared with that for the same period of last year (2009: HK\$11.0 million). The increase in gross profit was in line with the increase in turnover. Gross profit margin, however, has dropped. The gross profit margin of the Group decreased to approximately 12.8% for the six months ended 30 September 2010 (2009: 20.6%) largely as a consequence of the substantial increase in subcontracting fee and certain projects reaching a work stage with relatively thinner gross profit margin.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 September 2010 increased by approximately 57.8% to approximately HK\$4.7 million as compared with that for the same period of last year (2009: HK\$3.0 million). The administrative expenses mainly consisted of auditors' remuneration, legal and professional fees, staff costs (including Directors' remuneration) and depreciation expenses. The increase in the administrative expenses was mainly attributable to the increase in staff costs to support the expansion of the Group's business.

Finance Expenses

The Group's finance expenses for the six months ended 30 September 2010 decreased by approximately 6.4% to approximately HK\$249,000 as compared with that for the same period of last year (2009: HK\$266,000). The decrease was mainly attributable to the decrease in the interest expenses for finance leases since some finance leases were fully paid off while no new finance lease was entered into during the six months ended 30 September 2010.

Net Profit

The Group recorded a net profit attributable to owners of the Company of approximately HK\$6.3 million for the six months ended 30 September 2010 (2009: HK\$6.5 million), representing a slight decrease of approximately 2.3% as compared with that for the same period of the previous year. The decrease in net profit was mainly resulted from the decrease in gross profit margin and the increase in staff costs (including Directors' remuneration) in administrative expense.

Earnings per Share

The basic earnings per Share was approximately HK8.03 cents (2009: HK8.73 cents).

Capital Structure

The Shares were listed on GEM of the Stock Exchange on 30 August 2010. There has been no change in the capital structure of the Company since that date. The capital of the Group comprises only ordinary shares.

Total equity attributable to equity holders of the Company amounted to approximately HK\$45.7 million as at 30 September 2010 (31 March 2010: HK\$22.3 million). The increase was mainly attributable to the funds raised from the Placing as discussed in note 18 to the Interim Financial Statements.

Liquidity and Financial Resources

During the six months ended 30 September 2010, the Group generally financed its operations through internally generated cash flows, borrowings from bank or Shareholder and net proceeds from the Placing.

As at 30 September 2010, the Group had net current assets of approximately HK\$35.1 million (31 March 2010: HK\$11.5 million), including cash balance of approximately HK\$27.8 million (31 March 2010: HK\$10.3 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.06 as at 30 September 2010 (31 March 2010: 1.31). The increase was mainly due to the funds raised from the Placing of 24,800,000 Shares each at a price of HK\$1.28 per Share which amounted to HK\$31,744,000 before share issue costs.

Gearing Ratio

The gearing ratio, which is based on the amount of total bank borrowings and obligations under finance lease and advance received from customers divided by total assets, was 10.2% as at 30 September 2010 (31 March 2010: 29.1%). The decrease was resulted from the full repayment of all the bank loans and loan from Shareholder, and the receipt of proceeds from the Placing.

Foreign Exchange Exposure

The Group is principally engaged in the undertaking of engineering projects in Hong Kong. As the revenue and cost of services are principally denominated in Hong Kong dollars, the exposure to the risk of foreign exchange rate fluctuations for the Group is minimal. Hence, no financial instrument for hedging was employed.

Capital Commitment

As at 30 September 2010, the Group did not have any significant capital commitments (31 March 2010: Nil).

Charges on the Group's Assets

As at 30 September 2010, the Company did not pledge any of its assets except that the Group's motor vehicles with the net book value as at 30 September 2010 amounted to approximately HK\$4.3 million (31 March 2010: HK\$5.5 million for motor vehicles and HK\$0.3 million for machinery) were held under finance lease.

Contingent Liabilities

As at 30 September 2010, the Group did not have any material contingent liabilities (31 March 2010: Nil).

Dividends

The Directors declared an interim dividend of HK2 cents per Share for the six months ended 30 September 2010 payable on or about Tuesday, 7 December 2010 to Shareholders whose name appear on the register of members of the Company as at the close of business on Thursday, 25 November 2010.

Information on Employees

As at 30 September 2010, the Group had 171 full-time employees in Hong Kong and over 89% of them are direct labour. Total staff costs (including remuneration of the Directors) for the six months ended 30 September 2010 amounted to approximately HK\$18.0 million (2009: HK\$11.0 million), representing an increase of approximately 64.4% over that for the same period in the previous year. The increase was mainly due to the increase in the number of staff to support the expansion of the Group's business.

Remuneration is determined with reference to the nature of job, performance, qualifications and experience of individual employees, as well as the result of the Group and the market trend. The Group carries out staff performance appraisal once a year and the assessment result is used for salary reviews and promotion decisions. The Group recognises the importance of staff training and thus regularly provides internal and external training for its staff to enhance their skills and knowledge.

Significant Investment Held

Except for investment in subsidiaries, during the six months ended 30 September 2010 and as at the end of the reporting period, the Group did not hold any significant investment in equity interest in any company.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 September 2010, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Prospects

During the six months ended 30 September 2010, the Group has obtained two new waterworks contracts. The Group will continue to pursue the business strategy of focusing on the provision of waterworks engineering services and intend to undertake more waterworks contracts in the capacity of a main contractor.

In the coming years, it is believed that the replacement and rehabilitation programme of water mains (the "R&R Programme") launched by Water Supplies Department of the Hong Kong government ("WSD") will continue to open up numerous waterworks opportunities to the Group. As planned by WSD, Stage 4 of the R&R Programme will be commenced in early 2011 and completed in 2015. About 850 kilometres of water mains will be replaced and rehabilitated at this stage.

Apart from the R&R Programme, the ten major infrastructure projects set out in the 2007-2008 Policy Address of the Hong Kong government, consisting of three transportation infrastructure projects, four cross-boundary infrastructure projects and three new urban development areas, would inevitably involve waterworks, roads and drainage works or site formation works at some stage. The Directors believe those infrastructure projects will also create tremendous business opportunities for the Group. With the proven track record in delivering works of high quality in a timely manner and the enhanced capital basis through the Placing, the Group is in an advantageous position to seize these growth opportunities in the civil engineering sector, particularly in waterworks, roads and drainage, and site formation areas, in Hong Kong.

Going forward, the Group will continue to improve its quality of service, enhance management capabilities and competitiveness to bid for more rewarding engineering contracts in Hong Kong and to further scale up the Group's business.

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the six months ended 30 September 2010 is set out below:

Business objectives for the six months ended 30 September 2010 as stated in the Prospectus	Actual business progress up to 30 September 2010
---	---

Expansion of business scale

- | | |
|--|--|
| <ul style="list-style-type: none">• Form the project management team for the New Project recently obtained from WSD in which the Group acts as the main contractor | <ul style="list-style-type: none">• The Group has formed a project management team for the New Project |
| <ul style="list-style-type: none">• Draw up the master program for the New Project | <ul style="list-style-type: none">• The Group has drawn up the master program for the New Project |
| <ul style="list-style-type: none">• Source the required equipment and machinery for the implementation of the New Project | <ul style="list-style-type: none">• The Group has acquired certain equipment for the implementation of the New Project. More equipment and machinery will be acquired after commencement of the actual work of the New Project |
| <ul style="list-style-type: none">• Implementation of contract works under the New Project in progress | <ul style="list-style-type: none">• The Group is implementing the preliminary work of the New Project |
| <ul style="list-style-type: none">• Monitor the forecasts of work tenders published on the website of Work Branch Development Bureau for upcoming tenders for the period from April 2010 to September 2010 | <ul style="list-style-type: none">• The Group is monitoring the upcoming tenders |

Further enhancement in work quality

- | | |
|--|--|
| <ul style="list-style-type: none">• Review the existing quality assurance policy of the Group and the staffing | <ul style="list-style-type: none">• The Group is reviewing the existing quality assurance policy of the Group and the staffing |
| <ul style="list-style-type: none">• Identify suitable candidate(s) for the quality assurance team | <ul style="list-style-type: none">• The Group is identifying suitable candidate(s) for the quality assurance team |

Strengthening of safety team

- | | |
|---|---|
| <ul style="list-style-type: none">• Review the existing safety policy of the Group and the staffing | <ul style="list-style-type: none">• The Group is reviewing the existing safety policy of the Group and the staffing |
| <ul style="list-style-type: none">• Identify suitable candidate(s) for the safety team | <ul style="list-style-type: none">• The Group is identifying suitable candidate(s) for the safety team |

USE OF PROCEEDS

As disclosed in the Prospectus, the net proceeds from the Placing, after deducting the underwriting fees and the estimated expenses payable by the Company in connection thereto, were expected to be approximately HK\$21.0 million. The actual net proceeds from the Placing, after deducting the underwriting fees and expenses paid by the Company in connection thereto, were approximately HK\$20.2 million. The difference of approximately HK\$0.8 million is mainly attributable to the higher costs in printing and auditing, and the incurring of cost for tax review and disbursements. During the six months ended 30 September 2010, the net proceeds from the Placing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus during the six months ended 30 September 2010 (HK\$ million)	Actual use of proceeds during the six months ended 30 September 2010 (HK\$ million)
Expansion of business scale		
• Acquisition of equipment and machinery	2.00	0.85
• Recruitment of additional staff	0.50	0.53
Further enhancement in work quality		
• Recruitment of additional quality assurance staff	—	—
Strengthening of safety team		
• Recruitment of safety staff	—	—
Repayment of Shareholder's loan	4.04	4.04
Repayment of finance leases	0.73	0.73
	<u>7.27</u>	<u>6.15</u>

Notes:

- (1) The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds were applied in accordance with the actual development of the market.
- (2) The unused net proceeds as at 30 September 2010 have been placed as interest bearing deposits with licensed bank in Hong Kong.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the Shareholders on 11 August 2010 (the “Share Option Scheme”). No share options have been granted pursuant to the Share Option Scheme since its adoption.

DIRECTORS AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) (“SFO”)) which have 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 in which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in the Shares:

Name of Director	Nature of interest	Number of Shares	Percentage of shareholding
Mr. Kan (<i>Note 1</i>)	Interest in controlled corporation	40,920,000	41.25%
Mr. Cheng (<i>Note 2</i>)	Interest in controlled corporation	13,020,000	13.125%
Mr. Fung (<i>Note 3</i>)	Interest in controlled corporation	11,160,000	11.25%
Mr. Chia (<i>Note 4</i>)	Interest in controlled corporation	9,300,000	9.375%

Notes:

1. Mr. Kan is the sole beneficial owner of Shunleetat (BVI) Limited (“Shunleetat”), which is interested in 40,920,000 Shares. Under the SFO, Mr. Kan is deemed to be interested in all the Shares held by Shunleetat.
2. Mr. Cheng is the sole beneficial owner of Chuwei (BVI) Limited (“Chuwei”), which is interested in 13,020,000 Shares. Under the SFO, Mr. Cheng is deemed to be interested in all the Shares held by Chuwei.
3. Mr. Fung is the sole beneficial owner of Purplelight (BVI) Limited (“Purplelight”), which is interested in 11,160,000 Shares. Under the SFO, Mr. Fung is deemed to be interested in all the Shares held by Purplelight.
4. Mr. Chia is the sole beneficial owner of Lotawater (BVI) Limited (“Lotawater”), which is interested in 9,300,000 Shares. Under the SFO, Mr. Chia is deemed to be interested in all the Shares held by Lotawater.

Saved as disclosed above, as at 30 September 2010, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to the Directors, as at 30 September 2010, the following persons/entities (other than the Directors or chief executive of the Company) had, or deemed to have, interests or short positions in the shares, underlying shares or debentures 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 who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long position in the Shares:

Name	Capacity/Nature of interest	Number of Shares held	Percentage of issued share capital
(A) Substantial shareholders of the Company			
Shunleetat (<i>Note 1</i>)	Beneficial owner	40,920,000	41.25%
Chuwei (<i>Note 2</i>)	Beneficial owner	13,020,000	13.125%
Purplelight (<i>Note 3</i>)	Beneficial owner	11,160,000	11.25%
Lotawater (<i>Note 4</i>)	Beneficial owner	9,300,000	9.375%
(B) Other persons who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO			
Lam Shun Kiu, Rosita (<i>Note 1</i>)	Spouse interest	40,920,000	41.25%
Cham Yee Wa (<i>Note 3</i>)	Spouse interest	11,160,000	11.25%
Wan Pui Ki (<i>Note 4</i>)	Spouse interest	9,300,000	9.375%

Notes:

1. Shunleetat is wholly and beneficially owned by Mr. Kan. Accordingly, Mr. Kan is deemed to be interested in the 40,920,000 Shares held by Shunleetat under the SFO. Ms. Lam Shun Kiu, Rosita is the spouse of Mr. Kan and is deemed to be interested in 40,920,000 Shares under the SFO.
2. Chuwei is wholly and beneficially owned by Mr. Cheng. Accordingly, Mr. Cheng is deemed to be interested in the 13,020,000 Shares held by Chuwei under the SFO.
3. Purplelight is wholly and beneficially owned by Mr. Fung. Accordingly, Mr. Fung is deemed to be interested in the 11,160,000 Shares held by Purplelight under the SFO. Ms. Cham Yee Wa is the spouse of Mr. Fung and is deemed to be interested in 11,160,000 Shares under the SFO.
4. Lotawater is wholly and beneficially owned by Mr. Chia. Accordingly, Mr. Chia is deemed to be interested in the 9,300,000 Shares held by Lotawater under the SFO. Ms. Wan Pui Ki is the spouse of Mr. Chia and is deemed to be interested in 9,300,000 Shares under the SFO.

Saved as disclosed above, as at 30 September 2010, the Directors were not aware of any other person (other than the Directors or chief executive as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures 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 who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, none of the Directors and their respective associates including spouses and children under 18 years of age was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right during the six months ended 30 September 2010.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Save as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the six months ended 30 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 November 2010 to Thursday, 25 November 2010, both days inclusive. During this period, no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 22 November 2010.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 30 September 2010, as notified by the Company's compliance adviser, Optima Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 20 August 2010, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS, CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES' COMPETING INTERESTS AND CONFLICT OF INTERESTS

Interest in Vietnam Infrastructure (BVI) Limited

An executive Director, Mr. Chia, is the director and the beneficial owner of Vietnam Infrastructure (BVI) Limited, a company engaged in the provision of civil engineering services in Vietnam. The civil engineering services provided by Vietnam Infrastructure (BVI) Limited are similar to those provided by the Group but are limited to Vietnam. Mr. Chia confirms that Vietnam Infrastructure (BVI) Limited does not intend to extend its business to Hong Kong. As the Group and Vietnam Infrastructure (BVI) Limited are carrying on business in two distinct jurisdictions, the Directors consider that the business of Vietnam Infrastructure (BVI) Limited is not in direct competition with that of the Group.

Interest in Mongolia Investment Group Limited

As at 30 September 2010, Mr. Chia was interested in less than 1.0% in the issued share capital of Mongolia Investment Group Limited (formerly known as Ming Hing Waterworks Holdings Limited), a company whose issued shares are listed on the Main Board of the Stock Exchange and which is engaged in a business similar to that of the Group. Mr. Chia has not held and does not presently hold any position in or was not otherwise and is not presently involved in the daily operations of Mongolia Investment Group Limited or any of its subsidiaries or associated companies. Mr. Chia holds its interests in Mongolia Investment Group Limited for investment purpose.

Lease Agreement

A lease agreement (the "Lease Agreement") has been entered into between the Company's subsidiary, Tsun Yip Waterworks Construction Company Limited ("TYW") (as tenant), and Hong Kong Listco Limited ("HKLC") (as landlord) in relation to the office premises situated at Rooms No.1 and 3, 7/F., Anton Building, 1 Anton Street, Wanchai, Hong Kong at a monthly rent of HK\$4,000. The Lease Agreement has a term of 30 months from 1 May 2009 to 31 October 2011. The aforesaid office premises were leased by HKLC from Super Pizza Holdings Limited. HKLC is a company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Chia; and Super Pizza Holdings Limited is a company incorporated in Hong Kong and is owned as to 50% by Mr. Chia, who is also the sole director of both HKLC and Super Pizza Holdings Limited.

Announcement Posting Agreement

On 1 June 2010, the Company entered into an agreement with HKLC pursuant to which HKLC will provide the Company with the service of dissemination of announcements including hosting and posting of announcements, press releases or other documents as required by the GEM Listing Rules on the website(s) of the Group at a monthly service fee of HK\$750 for a term of one year commencing from 1 July 2010. The Company considers it more cost effective to engage a professional firm to take up this announcement posting obligation after Listing.

Save as disclosed above, none of the Directors, controlling Shareholders and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly, with the business of the Group or has any other conflict of interests with the Group during the six months ended 30 September 2010.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the period under review. The Company was not aware of any non-compliance from the date of Listing up to 30 September 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules from the date of Listing up to 30 September 2010.

AUDIT COMMITTEE

An audit committee of the Company (the "Audit Committee") was established on 11 August 2010 with terms of reference in compliance with paragraph C3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. As at 30 September 2010, the Audit Committee consisted of three members, namely Mr. Lim Hung Chun, Mr. Lo Ho Chor and Mr. Sung Lee Kwok, all of them are independent non-executive Directors. Mr. Lim Hung Chun is the chairman of the Audit Committee.

The Audit Committee had reviewed the Interim Financial Statements and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

By Order of the Board
Tsun Yip Holdings Limited
Kan Kwok Cheung
Chairman and Executive Director

Hong Kong, 9 November 2010

As at the date of this report, the Board comprises the following Directors:

Executive Director:

Kan Kwok Cheung
Cheng Ka Ming, Martin
Fung Chung Kin
Chia Thien Loong, Eric John

Independent non-executive Directors:

Lim Hung Chun
Lo Ho Chor
Sung Lee Kwok