



Tsun Yip Holdings Limited

進業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8356



Third Quarterly 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.

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

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 Group's turnover for the nine months ended 31 December 2010 increased by approximately 39.1% to approximately HK\$138.8 million (2009: HK\$99.8 million).
- Profit attributable to owners of the Company for the nine months ended 31 December 2010 decreased by approximately 28.5% to approximately HK\$10.1 million (2009: HK\$14.1 million).
- Basic earnings per Share for the nine months ended 31 December 2010 was approximately HK1.17 cents (2009: HK1.89 cents).
- The Board declared a second interim dividend of HK0.13 cents per Share, totalling HK\$1,289,600 for the three months ended 31 December 2010. Together with the first interim dividend of HK0.2 cents per Share (after adjustment for the Share Subdivision (note 8)), totalling HK\$1,984,000 for the six months ended 30 September 2010, the Company declared a total dividend of HK\$3,273,600 for the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2010

| | | Nine months ended 31 December | | Three months ended 31 December | |
|---|-------|----------------------------------|----------|-----------------------------------|----------|
| | | 2010 | 2009 | 2010 | 2009 |
| | Notes | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 3 | 138,769 | 99,784 | 42,453 | 46,267 |
| Cost of services | | (119,042) | (76,633) | (35,057) | (34,116) |
| Gross profit | | 19,727 | 23,151 | 7,396 | 12,151 |
| Other income | 3 | 391 | 4 | 371 | 1 |
| Administrative expenses | | (7,526) | (4,751) | (2,859) | (1,794) |
| Profit from operations | | 12,592 | 18,404 | 4,908 | 10,358 |
| Finance costs | | (303) | (451) | (54) | (185) |
| Profit before income tax | | 12,289 | 17,953 | 4,854 | 10,173 |
| Income tax | 5 | (2,215) | (3,856) | (1,126) | (2,570) |
| Profit and total comprehensive income for the period | | 10,074 | 14,097 | 3,728 | 7,603 |
| Earnings per Share attributable to owners of the Company — Basic and diluted (HK cents) | 7 | 1.17 | 1.89 | 0.38 | 1.02 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 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 | — | — | — | 10,074 | — | 10,074 |
| 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) |
| 2011 first interim dividend paid | — | — | — | (1,984) | — | (1,984) |
| Proposed 2011 second interim dividend | — | — | — | (1,290) | 1,290 | — |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| As at 31 December 2010 (unaudited) | <u>992</u> | <u>19,976</u> | <u>9,868</u> | <u>15,272</u> | <u>1,290</u> | <u>47,398</u> |
| As at 1 April 2009 | 9,868 | — | — | 14,204 | — | 24,072 |
| Profit for the period | — | — | — | 14,097 | — | 14,097 |
| 2010 interim dividend paid | — | — | — | (13,370) | — | (13,370) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| As at 31 December 2009 (unaudited) | <u>9,868</u> | <u>—</u> | <u>—</u> | <u>14,931</u> | <u>—</u> | <u>24,799</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 Islands. 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 Company's ordinary shares (the "Shares") were listed on GEM of the Stock Exchange on 30 August 2010 by way of placing (the "Placing").

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 third quarterly financial statements for the nine months ended 31 December 2010 (the "Quarterly 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 Quarterly Financial Statements, including comparative figures, are presented as if the current group structure had been in existence throughout the nine months ended 31 December 2009 and 2010, or since their respective dates of incorporation, where there is a shorter period.

The accounting policies and methods of computation used in the preparation of the Quarterly 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 Quarterly 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 for the year ended 31 March 2010 included in the Prospectus.

The Quarterly 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 Group.

3. REVENUE AND OTHER INCOME

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

| | Nine months ended | | Three months ended | |
|---|-------------------|-----------------|--------------------|-----------------|
| | 31 December | | 31 December | |
| | 2010 | 2009 | 2010 | 2009 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | | | | |
| Turnover – revenue from construction works | <u>138,769</u> | <u>99,784</u> | <u>42,453</u> | <u>46,267</u> |
| Other income | | | | |
| Sundry income | <u>391</u> | <u>4</u> | <u>371</u> | <u>1</u> |

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. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% for the three months and nine months ended 31 December 2009 and 2010.

| | Nine months ended | | Three months ended | |
|-------------------------------------|-------------------|-----------------|--------------------|-----------------|
| | 31 December | | 31 December | |
| | 2010 | 2009 | 2010 | 2009 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current tax – Hong Kong Profits tax | | | | |
| — current period | <u>2,154</u> | <u>2,965</u> | <u>898</u> | <u>1,679</u> |
| Deferred tax | | | | |
| — current period | <u>61</u> | <u>891</u> | <u>228</u> | <u>891</u> |
| | <u>2,215</u> | <u>3,856</u> | <u>1,126</u> | <u>2,570</u> |

6. DIVIDENDS

The dividends distributed by the Company for the three months and nine months ended 31 December 2009 and 2010 were as follows:

| | Nine months ended | | Three months ended | |
|--|-------------------|---------------|--------------------|--------------|
| | 31 December | | 31 December | |
| | 2010 | 2009 | 2010 | 2009 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Dividends distributed by the Company (<i>Note a</i>) | 1,984 | — | 1,984 | — |
| Dividends distributed by the subsidiaries (<i>Note b</i>) | 4,000 | 13,370 | — | 4,500 |
| | <u>5,984</u> | <u>13,370</u> | <u>1,984</u> | <u>4,500</u> |

The Directors declared a second interim dividend of HK0.13 cents per Share, totalling HK\$1,289,600 for the three months ended 31 December 2010.

Note:

- (a) The Directors declared and paid the first interim dividend of HK0.2 cents per Share (after adjustment for the Share Subdivision (note 8)), totalling HK\$1,984,000 for the six months ended 30 September 2010.
- (b) 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 Quarterly Financial Statements.

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic earnings per Share for the three months and nine months ended 31 December 2010 are based on the unaudited consolidated profit of HK\$3,728,000 and HK\$10,074,000 attributable to owners of the Company for each of the three months and nine months ended 31 December 2010 respectively (three months and nine months ended 31 December 2009: HK\$7,603,000 and HK\$14,097,000 respectively) and the pro forma weighted average number of 992,000,000 Shares and 857,629,091 Shares in issue for each of the three months and nine months ended 31 December 2010 respectively (pro forma weighted average number of Shares in issue for the three months and nine months ended 31 December 2009: 744,000,000 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 nine months ended 31 December 2009 and 2010 and therefore no diluted earnings per Share amounts have been presented.

8. SHARE CAPITAL

| | Notes | Number of Shares (Unaudited) | | Nominal value |
|--|-------|------------------------------------|----------------------|-------------------------|
| | | at HK\$0.01 each | at HK\$0.001 each | (Unaudited) HK\$'000 |
| Authorised | | | | |
| As at 1 April 2010 | | 38,000,000 | — | 380 |
| Increase in authorised share capital | | 49,962,000,000 | — | 499,620 |
| Effect of Share Subdivision | (d) | (50,000,000,000) | 500,000,000,000 | — |
| As at 31 December 2010 | | — | 500,000,000,000 | 500,000 |
| 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 |
| Effect of Share Subdivision | (d) | (99,200,000) | 992,000,000 | — |
| As at 31 December 2010 | | — | 992,000,000 | 992 |

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 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.
- (d) On 22 December 2010, an ordinary resolution was passed by the Shareholders at an extraordinary general meeting of the Company pursuant to which each of the issued and unissued Share of HK\$0.01 each was sub-divided into 10 new Shares of HK\$0.001 each (the "Share Subdivision") with effect from 23 December 2010.

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 nine months ended 31 December 2010, the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong.

During the nine months ended 31 December 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 |
| 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 nine months ended 31 December 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\$57.9 million and HK\$51.8 million revenue, representing approximately 41.7% and 37.3% of the Group's total revenue respectively.

Financial Review

Revenue

For the nine months ended 31 December 2010, the Group reported a turnover of approximately HK\$138.8 million (2009: HK\$99.8 million), representing an increase of approximately 39.1% 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), the commencement of new contract for replacement and rehabilitation of water mains stage 3 – mains in Sai Kung (contract numbered 9/WSD/09) and the full-period revenue contribution from the term contract for Waterworks District W – New Territories West (contract numbered 1/WSD/09(W)) which was 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\$122.6 million (2009: HK\$86.3 million), representing approximately 88.3% of the total revenue for the period (2009: 86.5%). On the other hand, the revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor amounted to approximately HK\$16.2 million (2009: HK\$13.5 million), representing approximately 11.7% of the total revenue for the period (2009: 13.5%).

Cost of service

The Group's cost of service increased by approximately 55.3% to approximately HK\$119.0 million for the nine months ended 31 December 2010 as compared with that for the same period of previous year (2009: HK\$76.6 million). Cost of service mainly includes raw materials, direct labour and subcontracting fee for services provided by the subcontractors.

Gross profit

The gross profit of the Group for the nine months ended 31 December 2010 decreased by approximately 14.8% to approximately HK\$19.7 million as compared with that for the same period of previous year (2009: HK\$23.2 million). The gross profit margin of the Group decreased to approximately 14.2% for the nine months ended 31 December 2010 (2009: 23.2%). The decrease in gross profit and gross profit margin was largely as a consequence of the substantial increase in subcontracting fee and certain projects reaching a work stage with relatively thinner gross profit margin.

Other income

The Group's other income for the nine months ended 31 December 2010 amounted to approximately HK\$391,000 (2009: HK\$4,000). The increase as compared with that for the same period of previous year was mainly attributable to compensation received from a supplier for late delivery of raw materials.

Administrative expenses

The Group's administrative expenses for the nine months ended 31 December 2010 increased by approximately 58.4% to approximately HK\$7.5 million as compared with that for the same period of previous year (2009: HK\$4.8 million). The administrative expenses mainly consisted of auditor's 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 nine months ended 31 December 2010 decreased by approximately 32.8% to approximately HK\$303,000 as compared with that for the same period of previous year (2009: HK\$451,000). 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 nine months ended 31 December 2010 and the decrease in interest expenses for bank loans/overdrafts since all the bank loans had been cancelled on July 2010 and no bank overdrafts had been drawn during the nine months ended 31 December 2010.

Net profit

The Group recorded a net profit attributable to owners of the Company of approximately HK\$10.1 million for the nine months ended 31 December 2010, representing a decrease of approximately 28.5% as compared with that for the same period of the previous year (2009: HK\$14.1 million). 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 HK1.17 cents (2009: HK1.89 cents).

Prospects

During the nine months ended 31 December 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 commence in early 2011 and will be 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 and enhance management capabilities and competitiveness to bid for more rewarding engineering contracts in Hong Kong and to further scale up the Group's business.

SHARE SUBDIVISION AND CHANGE IN BOARD LOT SIZE

On 23 December 2010, each of the issued and unissued Share of HK\$0.01 was sub-divided into 10 new Shares of HK\$0.001 each after obtaining the approval from the Shareholders on 22 December 2010. Upon the Share Subdivision becoming effective, the authorised share capital of the Company became HK\$500,000,000 divided into 500,000,000,000 Shares of HK\$0.001 each, of which 992,000,000 Shares were in issue and fully paid or credited as fully paid.

The board lot size for trading was changed from 2,000 Shares of HK0.01 each to 10,000 Shares of HK\$0.001 each upon the Share Subdivision becoming effective.

RESIGNATION OF EXECUTIVE DIRECTOR AND CHANGE OF CHIEF EXECUTIVE OFFICER AND AUTHORISED REPRESENTATIVE

Mr. Fung Chung Kin (“Mr. Fung”) resigned as an executive Director, the chief executive officer and the authorised representative of the Company with effect from 1 January 2011. Despite Mr. Fung’s resignations from the aforesaid positions of the Company, he would remain as an employee of the Group primarily responsible for monitoring and supervising the contract works undertaken or to be undertaken by the Group.

Upon Mr. Fung’s resignations from the offices of the chief executive officer and the authorised representative of the Company, Mr. Chia Thien Loong, Eric John (“Mr. Chia”) was appointed as the chief executive officer of the Company and Mr. Cheng Ka Ming, Martin (“Mr. Cheng”) was appointed as the authorised representative of the Company in his stead.

DIVIDENDS

The Directors declared a second interim dividend of HK0.13 cents per Share, totalling HK\$1,289,600 for the three months ended 31 December 2010 payable on or about Friday, 25 February 2011 to Shareholders whose name appear on the register of members of the Company as at the close of business on Friday, 18 February 2011.

Together with the first interim dividend of HK0.2 cents per Share (after adjustment for the Share Subdivision (note 8)), totalling HK\$1,984,000 for the six months ended 30 September 2010 paid by the Company on 7 December 2010, the Company declared a total dividend of HK\$3,273,600 for the nine months ended 31 December 2010.

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 31 December 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 Kwok Cheung ("Mr. Kan") (Note 1) | Interest in controlled corporation | 409,200,000 | 41.25% |
| Mr. Cheng (Note 2) | Interest in controlled corporation | 130,200,000 | 13.125% |
| Mr. Fung (Note 3) | Interest in controlled corporation | 111,600,000 | 11.25% |
| Mr. Chia (Note 4) | Interest in controlled corporation | 93,000,000 | 9.375% |

Notes:

1. Mr. Kan is the sole beneficial owner of Shunleetat (BVI) Limited ("Shunleetat"), which is interested in 409,200,000 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 130,200,000 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 111,600,000 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 93,000,000 Shares. Under the SFO, Mr. Chia is deemed to be interested in all the Shares held by Lotawater.

Saved as disclosed above, as at 31 December 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 31 December 2010, the following persons/entities (other than the Directors or chief executive of the Company) had, or are 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 with details 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 | 409,200,000 | 41.25% |
| Chuwei (<i>Note 2</i>) | Beneficial owner | 130,200,000 | 13.125% |
| Purplelight (<i>Note 3</i>) | Beneficial owner | 111,600,000 | 11.25% |
| Lotawater (<i>Note 4</i>) | Beneficial owner | 93,000,000 | 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 | 409,200,000 | 41.25% |
| Cham Yee Wa (<i>Note 3</i>) | Spouse interest | 111,600,000 | 11.25% |
| Wan Pui Ki (<i>Note 4</i>) | Spouse interest | 93,000,000 | 9.375% |

Notes:

- Shunleetat is wholly and beneficially owned by Mr. Kan. Accordingly, Mr. Kan is deemed to be interested in the 409,200,000 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 409,200,000 Shares under the SFO.
- Chuwei is wholly and beneficially owned by Mr. Cheng. Accordingly, Mr. Cheng is deemed to be interested in the 130,200,000 Shares held by Chuwei under the SFO.
- Purplelight is wholly and beneficially owned by Mr. Fung. Accordingly, Mr. Fung is deemed to be interested in the 111,600,000 Shares held by Purplelight under the SFO. Ms. Cham Yee Wa is the spouse of Mr. Fung and is deemed to be interested in 111,600,000 Shares under the SFO.
- Lotawater is wholly and beneficially owned by Mr. Chia. Accordingly, Mr. Chia is deemed to be interested in the 93,000,000 Shares held by Lotawater under the SFO. Ms. Wan Pui Ki is the spouse of Mr. Chia and is deemed to be interested in 93,000,000 Shares under the SFO.

Saved as disclosed above, as at 31 December 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 is 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 nine months ended 31 December 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 nine months ended 31 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 February 2011 to Friday, 18 February 2011, both days inclusive. During this period, no transfer of Shares will be registered. In order to qualify for the second 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 Tuesday, 15 February 2011.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 31 December 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 31 December 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 nine months ended 31 December 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 in this respect since the date of Listing and up to 31 December 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 since the date of Listing and up to 31 December 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 31 December 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 Quarterly 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, 28 January 2011

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

Executive Director:

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

Independent non-executive Directors:

Lim Hung Chun
Lo Ho Chor
Sung Lee Kwok