



FIRST QUARTERLY REPORT 2011/12

 **Tsun Yip Holdings Limited**
進業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8356



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

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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 Group's turnover for the three months ended 30 June 2011 decreased by approximately 21.9% to approximately HK\$35.5 million (2010: HK\$45.4 million).
- Profit attributable to owners of the Company for the three months ended 30 June 2011 decreased by approximately 96.8% to approximately HK\$0.1 million (2010: HK\$4.4 million).
- Basic earnings per Share for the three months ended 30 June 2011 was approximately HK0.01 cents (2010: HK0.59 cents).
- The Board does not recommend the payment of any dividend for the three months ended 30 June 2011.



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 ended 30 June 2011, together with the unaudited comparative figures for the corresponding periods in 2010, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 30 June 2011

| | Notes | Three months ended 30 June | |
|--|-------|-------------------------------|------------------|
| | | 2011 HK\$'000 | 2010 HK\$'000 |
| Revenue | 3 | 35,486 | 45,417 |
| Cost of services | | (31,669) | (37,895) |
| Gross profit | | 3,817 | 7,522 |
| Other income | 3 | 2 | 15 |
| Administrative expenses | | (3,101) | (2,305) |
| Profit from operations | | 718 | 5,232 |
| Finance costs | | (55) | (160) |
| Profit before income tax | | 663 | 5,072 |
| Income tax | 5 | (521) | (702) |
| Profit and total comprehensive income for the period attributable to the owners of the Company | | 142 | 4,370 |
| Earnings per Share attributable to owners of the Company | 7 | | |
| — Basic and diluted (HK cents) | | 0.01 | 0.59 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2011

| | Share capital HK\$'000 | Share premium account HK\$'000 | Other reserves HK\$'000 | Retained earnings HK\$'000 | Proposed dividend HK\$'000 | Total equity HK\$'000 |
|--|------------------------------|---|-------------------------------|----------------------------------|----------------------------------|--------------------------|
| As at 1 April 2011 | 992 | 19,976 | 9,868 | 14,944 | — | 45,780 |
| Total comprehensive income for the period | — | — | — | 142 | — | 142 |
| As at 30 June 2011 (unaudited) | 992 | 19,976 | 9,868 | 15,086 | — | 45,922 |
| As at 1 April 2010 | 9,868 | — | — | 8,472 | 4,000 | 22,340 |
| Total comprehensive income for the period | — | — | — | 4,370 | — | 4,370 |
| 2010 final dividend paid | — | — | — | — | (4,000) | (4,000) |
| As at 30 June 2010 (unaudited) | 9,868 | — | — | 12,842 | — | 22,710 |



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS

For the three months ended 30 June 2011

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 "Listing").

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. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial information has been prepared to comply with the disclosure requirements of the GEM Listing Rules.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the annual report for the year ended 31 March 2011. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards which are effective for accounting periods commencing on or after 1 April 2011. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the consolidated financial information and does not result in substantial changes to the Group's accounting policies.

The unaudited condensed financial results 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:

| | Three months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 |
| Revenue | | |
| Turnover — revenue from construction works | 35,486 | 45,417 |
| Other income | | |
| Interest income | 2 | — |
| Sundry income | — | 15 |
| | 2 | 15 |

4. OPERATING SEGMENTS

During the periods, the Group was 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.

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the three months ended 30 June 2010 and 2011.

| | Three months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 |
| Current tax — Hong Kong Profits tax — tax for the period | 535 | 869 |
| Deferred tax — current period | (14) | (167) |
| | 521 | 702 |

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries, TYW (BVI) Limited and Profit Station Limited, are not subject to any income tax in the Cayman Islands and the British Virgin Islands respectively.

6. DIVIDENDS

The dividends distributed by the Company for the three months ended 30 June 2010 and 2011 were as follows:

| | Three months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 |
| Dividends distributed by the subsidiaries (<i>Note</i>) | — | 4,000 |

The Board does not recommend the payment of any dividend for the three months ended 30 June 2011.

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 unaudited condensed consolidated results.



7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic earnings per Share for the three months ended 30 June 2011 is based on the unaudited consolidated profit of HK\$142,000 attributable to owners of the Company for the three months ended 30 June 2011 (three months ended 30 June 2010: HK\$4,370,000) and the weighted average number of 992,000,000 Shares in issue for the three months ended 30 June 2011 (pro forma weighted average number of Shares in issue for the three months ended 30 June 2010: 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 ended 30 June 2011 and therefore no diluted earnings per Share amounts have been presented.

8. SUBSEQUENT EVENTS

- (a) On 8 July 2011, the Company entered into a placing agreement with the placing agent, Emperor Securities Limited (the “Placing Agent”), whereby the Company agreed to place, through the Placing Agent, on a best effort basis, a maximum of 198,400,000 new Shares to not less than six placees at a price of HK\$0.173 per placing Share (the “Placing”).

The completion of the Placing took place on 21 July 2011. 198,400,000 placing Shares have been successfully placed by the Placing Agent to not less than six placees at the placing price of HK\$0.173 per placing Share. The net proceeds from the Placing, after deducting the placing commission and other related expense payable by the Company, are approximately HK\$33.30 million.

Details of the Placing are set out in the Company’s announcements dated 8 July 2011 and 21 July 2011.

- (b) On 28 July 2011, a wholly-owned subsidiary of the Company entered into an agreement for an acquisition of 17% issued share capital of China New Media (HK) Company Limited for a consideration of HK\$70,040,000 upon fulfilment of certain conditions (the “Acquisition”). The completion of the Acquisition took place on 11 August 2011. Details of the Acquisition are set out in the Company’s announcement dated 28 July 2011.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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 three months ended 30 June 2011, the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong.

During the three months ended 30 June 2011, the Group has been undertaking one main contract and five 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 | 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 |
| | 8/WSD/10 | Replacement and rehabilitation of water mains, stage 4 phase 1 — mains in Tuen Mun, Yuen Long, North District and Tai Po |

Among the above six contracts, one subcontract (contract numbered 8/WSD/10) was newly awarded during the three months ended 30 June 2011.

During the period under review, the two contracts with contracts numbered 18/WSD/08 and 9/WSD/09 were the main contributors to the Group's revenue, which generated approximately HK\$12.7 million and HK\$11.0 million revenue, constituting approximately 35.7% and 30.9% of the Group's total revenue respectively.



Financial Review

Revenue

For the three months ended 30 June 2011, the Group reported a turnover of approximately HK\$35.5 million (2010: HK\$45.4 million), representing a decrease of approximately 21.9% as compared with that for the same period of the previous year. The lower turnover was mainly due to the decrease in works from the replacement and rehabilitation of water mains stage 3 — mains on Hong Kong Island South and outlying islands (contract numbered 18/WSD/08) and the term contract for Waterworks District W — New Territories West (contract numbered 1/WSD/09(W)).

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\$24.5 million (2010: HK\$41.4 million), representing approximately 68.9% of the total revenue for the period (2010: 91.2%). On the other hand, the revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor amounted to approximately HK\$11.0 million (2010: HK\$4.0 million), representing approximately 31.1% of the total revenue for the period (2010: 8.8%).

Cost of service

The Group's cost of service decreased by approximately 16.4% to approximately HK\$31.7 million for the three months ended 30 June 2011 (2010: HK\$37.9 million) as compared with that for the same period of previous year. 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 three months ended 30 June 2011 decreased by approximately 49.3% to approximately HK\$3.8 million (2010: HK\$7.5 million) as compared with that for the same period of previous year. The gross profit margin of the Group decreased to approximately 10.8% for the three months ended 30 June 2011 (2010: 16.6%). The decrease in gross profit and gross profit margin was largely as a consequence of the increase in direct labour cost and certain projects reaching a work stage with relatively thinner gross profit margin.

Other income

The Group's other income for the three months ended 30 June 2011 amounted to approximately HK\$2,000 (2010: HK\$15,000).

Administrative expenses

The Group's administrative expenses for the three months ended 30 June 2011 increased by approximately 34.5% to approximately HK\$3.1 million (2010: HK\$2.3 million) as compared with that for the same period of previous year. 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 consultant fees and legal and professional fees for services provided by the professional parties after the Listing.



Finance expenses

The Group's finance expenses for the three months ended 30 June 2011 decreased by approximately 65.6% to approximately HK\$55,000 (2010: HK\$160,000) as compared with that for the same period of previous year. The decrease was mainly attributable to the decrease in the outstanding amounts of finance leases and bank loans/overdrafts.

Net profit

The Group recorded a net profit attributable to owners of the Company of approximately HK\$0.1 million (2010: HK\$4.4 million) for the three months ended 30 June 2011, representing a decrease of approximately 96.8% 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 consultant fees and legal and professional fees in administrative expense.

Earnings per Share

The basic earnings per Share was approximately HK0.01 cents (2010: HK0.59 cents).

PROSPECTS

During the three months ended 30 June 2011, the Group has obtained one new waterworks contract. The Group will continue to pursue the business strategy of focusing on the provision of waterworks engineering services.

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. According to WSD, Stage 4 Phase 1 of the R&R Programme has commenced in March 2011 and will be completed in 2015. About 500 kilometres of water mains will be replaced and rehabilitated at this stage. Stage 4 Phase 2 of the R&R Programme is scheduled to commence in 2012 and will be completed in 2015. About 350 kilometres of water mains will be replaced and rehabilitated at this stage.

Aimed at maximizing profit and return for the Group and the shareholders of the Company (the "Shareholders"), going forward, the Group will continue to stay focused on enhancing the competitiveness of its core business and at the same time, explore new business opportunities to broaden its source of income and expand the business operations.

Towards this strategy, on 28 July 2011, a wholly-owned subsidiary of the Company has entered into an agreement to conditionally agree for an acquisition of 17% of total issued share capital of China New Media (HK) Company Limited, which is principally engaged in outdoor advertising in Hong Kong, specializing in advertising spaces in lifts and outer walls of buildings. The completion of the Acquisition took place on 11 August 2011.

DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 June 2011.

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 June 2011, 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 the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in the Shares:

| Name | Capacity/Nature of interest | Number of Shares held | Percentage of issued share capital |
|---|------------------------------------|-----------------------|------------------------------------|
| Mr. Kan Kwok Cheung ("Mr. Kan") (Note a) | Interest in controlled corporation | 409,200,000 | 41.25% |
| Mr. Chia Thien Loong, Eric John ("Mr. Chia") (Note b) | Interest in controlled corporation | 171,120,000 | 17.25% |
| Mr. Cheng Ka Ming, Martin ("Mr. Cheng") (Note c) | Interest in controlled corporation | 163,680,000 | 16.50% |

Notes:

- (a) Mr. Kan is the sole beneficial owner of Shunleetat (BVI) Limited ("Shunleetat"), which was interested in 409,200,000 Shares. Under the SFO, Mr. Kan is deemed to be interested in all the Shares held by Shunleetat.
- (b) Mr. Chia is the sole beneficial owner of Lotawater (BVI) Limited ("Lotawater") and Purplelight (BVI) Limited ("Purplelight"), which were interested in 93,000,000 and 78,120,000 Shares respectively. Under the SFO, Mr. Chia is deemed to be interested in all the Shares held by Lotawater and Purplelight.
- (c) Mr. Cheng is the sole beneficial owner of Chuwei (BVI) Limited ("Chuwei"), which was interested in 163,680,000 Shares. Under the SFO, Mr. Cheng is deemed to be interested in all the Shares held by Chuwei.



Saved as disclosed above, as at 30 June 2011, 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 which were required to be 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 June 2011, 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/which were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO 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 a</i>) | Beneficial owner | 409,200,000 | 41.250% |
| Chuwei (<i>Note b</i>) | Beneficial owner | 163,680,000 | 16.500% |
| Lotawater (<i>Note c</i>) | Beneficial owner | 93,000,000 | 9.375% |
| Purplelight (<i>Note c</i>) | Beneficial owner | 78,120,000 | 7.875% |
| (B) Other persons | | | |
| Lam Shun Kiu, Rosita (<i>Note a</i>) | Spouse interest | 409,200,000 | 41.250% |
| Wan Pui Ki (<i>Note c</i>) | Spouse interest | 171,120,000 | 17.250% |

Notes:

- (a) *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.*
- (b) *Chuwei is wholly and beneficially owned by Mr. Cheng. Accordingly, Mr. Cheng is deemed to be interested in the 163,680,000 Shares held by Chuwei under the SFO.*
- (c) *Lotawater and Purplelight are wholly and beneficially owned by Mr. Chia. Accordingly, Mr. Chia is deemed to be interested in the 93,000,000 and 78,120,000 Shares held by Lotawater and Purplelight respectively under the SFO. Ms. Wan Pui Ki is the spouse of Mr. Chia and is deemed to be interested in total 171,120,000 Shares under the SFO.*



Saved as disclosed above, as at 30 June 2011, the Directors were not aware of any other person/entity (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/which 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/which were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 three months ended 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

During the three months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 30 June 2011, 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.



COMPETING 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.

Save as disclosed above, during the three months ended 30 June 2011, 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 under the GEM Listing Rules.

CONNECTED TRANSACTIONS

During the three months ended 30 June 2011, the Group entered into following exempted continuing connected transactions:

Lease Agreement

A lease agreement (the "Lease Agreement") has been entered into between the Company's subsidiary, Tsun Yip Waterworks Construction Company Limited (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 and 30 June 2011, the Company entered into agreements (the "Announcement Posting Agreements") 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 and 1 July 2011 respectively. The Company considers it more cost effective to engage a professional firm to take up this report posting obligation after Listing.



GEM Listing Rules Implications

Given that the annual rental payable under the Lease Agreement and the annual service fee payable under the Announcement Posting Agreements referred to above are both less than HK\$1 million and none of the percentage ratios, on an annual basis, equals or exceeds 5%, and that the Lease Agreement and the Announcement Posting Agreements were entered into in the ordinary and usual course of business of the Group, the transactions under the aforesaid agreements are exempt continuing connected transactions of the Company pursuant to Rule 20.33(3)(c) of the GEM Listing Rules, which are exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed above, none of the Directors, controlling Shareholders and their respective associates has any other conflict of interests with the Group during the three months ended 30 June 2011.

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 during the three months ended 30 June 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance the performance of the Group. The Company has applied the principles and code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code during the three months ended 30 June 2011.



AUDIT COMMITTEE

The Audit Committee was established on 11 August 2010 with terms of reference in compliance with paragraph C3.3 of the Code. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the financial statements and the quarterly, interim and annual reports of the Group, and reviewing the terms of engagement and scope of audit work of the external auditors.

The Audit Committee consisted of three members, all of them are independent non-executive Directors. As at 30 June 2011, the members of the Audit Committee are Mr. Lim Hung Chun, Mr. Hau Chi Kit and Mr. Lo Ho Chor. Mr. Lim Hung Chun was the chairman of the Audit Committee. As at the date of this report, the members of the Audit Committee are Mr. Chan Hon Yuen, Mr. Chu Siu Lun, Ivan and Mr. Hau Chi Kit. Mr. Chan Hon Yuen is the chairman of the Audit Committee.

The Audit Committee had reviewed the unaudited condensed consolidated results of the Group for the three months ended 30 June 2011 and is of the opinion that the preparation of such results 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, 11 August 2011

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

Executive Directors:

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

Independent non-executive Directors:

Chan Hon Yuen
Chu Siu Lun, Ivan
Hau Chi Kit