



INTERIM 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”)

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.

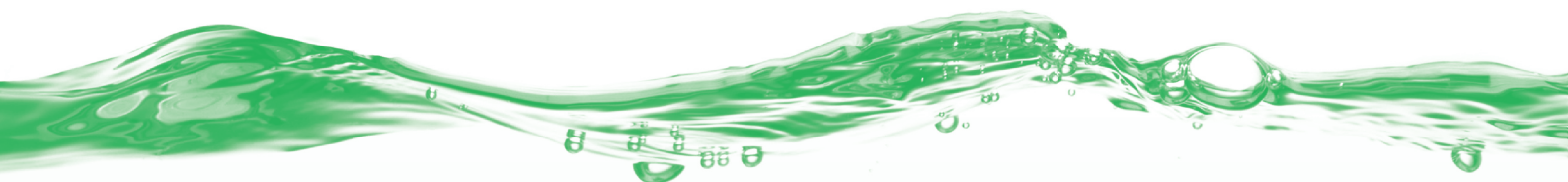
Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part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

This report, for which the directors (the “Director(s)”) 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 six months ended 30 September 2011 decreased by approximately 10.6% to approximately HK\$86.1 million (30 September 2010: HK\$96.3 million).
- Loss attributable to owners of the Company for the six months ended 30 September 2011 was approximately HK\$2.5 million (30 September 2010: profit of approximately HK\$6.3 million).
- Basic loss per share for the six months ended 30 September 2011 was approximately HK0.23 cent (30 September 2010: basic earnings per share of HK0.80 cent).
- The Board does not recommend the payment of any dividend for the six months ended 30 September 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 and six months ended 30 September 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 and six months ended 30 September 2011

	Notes	Six months ended 30 September		Three months ended 30 September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	3	86,146	96,316	50,660	50,899
Cost of services		(77,336)	(83,985)	(45,667)	(46,090)
Gross profit		8,810	12,331	4,993	4,809
Other income	3	179	20	177	5
Administrative expenses		(9,865)	(4,667)	(6,764)	(2,362)
(Loss)/profit from operations	5	(876)	7,684	(1,594)	2,452
Finance costs	7	(478)	(249)	(423)	(89)
(Loss)/profit before income tax		(1,354)	7,435	(2,017)	2,363
Income tax	8	(1,098)	(1,089)	(577)	(387)
(Loss)/profit and total comprehensive income for the period attributable to the owners of the Company		(2,452)	6,346	(2,594)	1,976
(Loss)/earnings per share attributable to owners of the Company	10				
— Basic and diluted (HK cent)		(0.23)	0.80	(0.23)	0.24

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	18,803	12,711
Available-for-sale investment	12	67,221	—
		86,024	12,711
Current assets			
Inventories	13	19,732	16,180
Trade and other receivables	14	26,795	26,779
Pledged bank deposits		2,000	2,000
Tax recoverable		321	321
Cash and cash equivalents		23,364	16,233
		72,212	61,513
Total assets		158,236	74,224
Current liabilities			
Trade and other payables	16	26,263	22,008
Finance lease creditors	17	1,305	748
Borrowings	18	4,926	2,733
Employee benefits		1,528	897
Current tax liabilities		885	273
		34,907	26,659
Net current assets		37,305	34,854
Total assets less current liabilities		123,329	47,565
Non-current liabilities			
Finance lease creditors	17	1,835	244
Promissory note	19	41,994	—
Deferred tax liabilities		2,026	1,541
		45,855	1,785
Total liabilities		80,762	28,444
NET ASSETS		77,474	45,780
Capital and reserves			
Share capital	20	1,190	992
Reserves		76,284	44,788
TOTAL EQUITY		77,474	45,780

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Share capital HK\$'000	Share premium account* HK\$'000	Share options reserves* HK\$'000	Other reserves* HK\$'000	Retained earnings* HK\$'000	Proposed dividend HK\$'000	Total equity HK\$'000
As at 1 April 2011 (Audited)	992	19,976	—	9,868	14,944	—	45,780
Total comprehensive income for the period	—	—	—	—	(2,452)	—	(2,452)
Issue of 198,400,000 new shares pursuant to the placing	198	34,125	—	—	—	—	34,323
Share placement expenses	—	(1,003)	—	—	—	—	(1,003)
Equity-settled share option arrangement	—	—	826	—	—	—	826
As at 30 September 2011 (Unaudited)	1,190	53,098	826	9,868	12,492	—	77,474
As at 1 April 2010 (Audited)	9,868	—	—	—	8,472	4,000	22,340
Total comprehensive income for the period	—	—	—	—	6,346	—	6,346
Reorganisation	(9,868)	—	—	9,868	—	—	—
Capitalisation of share premium account	744	(744)	—	—	—	—	—
Issue of Shares pursuant to the Listing	248	31,496	—	—	—	—	31,744
Share placement expenses	—	(10,776)	—	—	—	—	(10,776)
2010 final dividend paid	—	—	—	—	—	(4,000)	(4,000)
Proposed 2011 1st interim dividend	—	—	—	—	(1,984)	1,984	—
As at 30 September 2010 (Unaudited)	992	19,976	—	9,868	12,834	1,984	45,654

* These reserve accounts comprise the consolidated reserves of HK\$76,284,000 (31 March 2011: HK\$44,788,000) in the condensed consolidated statement of financial position.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Net cash generated from operating activities	4,406	8,365
Net cash used in investing activities	(31,875)	(1,560)
Net cash generated from financing activities	34,600	10,637
Net increase in cash and cash equivalents	7,131	17,442
Cash and cash equivalents at beginning of period	16,233	10,330
Cash and cash equivalents at end of period	23,364	27,772



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 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 "Share(s)") 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 interim financial statements for the six months ended 30 September 2011 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the GEM Listing Rules. The Interim Financial Statements do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 March 2011.

The accounting policies and method of the computation used in the preparation of the Interim Financial Statements 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 interpretation of Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for accounting periods commencing on or after 1 April 2011. The adoption of such new or revised standards, amendments to standard and interpretation does not have material impact on the Interim Financial Statements and does not result in substantial changes to the Group's accounting policies.

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.



3. REVENUE AND OTHER INCOME

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

	Six months ended 30 September		Three months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue				
Turnover — revenue from construction works	86,146	96,316	50,660	50,899
Other income				
Interest income	4	—	2	—
Sundry income	175	20	175	5
	179	20	177	5

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. No separate analysis of reportable segment (loss)/profit before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

5. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is arrived at after charging the following:

	Six months ended 30 September		Three months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Contract costs recognised as expense	77,336	83,985	45,667	46,090
Depreciation	3,093	2,364	1,668	1,207
Loss on disposal of property, plant and equipment	49	3	49	3
Staff costs (<i>Note 6</i>)	22,150	17,985	12,490	9,193

6. STAFF COSTS

	Six months ended 30 September		Three months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Staff costs (including Directors' remuneration) comprise:				
Wages, salaries and other benefits	20,641	17,328	11,363	8,875
Contribution on defined contribution retirement plan	817	657	435	318
Equity-settled share-based payment expenses	692	—	692	—
	22,150	17,985	12,490	9,193

7. FINANCE COSTS

	Six months ended 30 September		Three months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest expenses on:				
— Bank loans wholly repayable within five years	66	86	41	15
— Finance leases	78	163	48	74
Effective interest expenses on promissory note (Note 19)	334	—	334	—
	478	249	423	89

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the periods.

	Six months ended 30 September		Three months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current tax — Hong Kong profits tax				
— Tax for the period	613	1,256	78	387
Deferred tax				
— Tax for the period	485	(167)	499	—
	1,098	1,089	577	387

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Company and its subsidiaries incorporated in the BVI are not subject to any income tax in the Cayman Islands and the BVI respectively.

9. DIVIDENDS

The dividends distributed for the three months and six months ended 30 September 2010 and 2011 were as follows:

	Six months ended 30 September		Three months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Dividend distributed by the Company (Note i)	—	1,984	—	1,984
Dividend distributed by the subsidiaries (Note ii)	—	4,000	—	—
	—	5,984	—	1,984

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

Notes:

- (i) At a meeting held on 9 November 2010, the Board declared the first interim dividend of HK0.2 cent per Share, totaling HK\$1,984,000 for the six months ended 30 September 2010.
- (ii) The amount represented dividends declared and paid by the Company's subsidiaries to their then shareholders prior to the Listing. The rate of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of the Interim Financial Statements.

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic loss per Share for the three months and six months ended 30 September 2011 are based on the unaudited consolidated loss of HK\$2,594,000 and HK\$2,452,000 attributable to owners of the Company for each of the three months and six months ended 30 September 2011 respectively (three months and six months ended 30 September 2010: profit of HK\$1,976,000 and HK\$6,346,000 respectively) and the weighted average number of 1,145,113,044 Shares and 1,068,974,863 Shares in issue (pro forma weighted average number of Shares in issue for the three months and six months ended 30 September 2010: 835,652,174 (restated) and 790,076,503 (restated) respectively) as if they had been in issue throughout the periods.

The diluted loss per Share for the three months and six months ended 30 September 2011 are not presented as the potential ordinary Shares had an anti-dilutive effect on the basic loss per Share for the period.

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group acquired items of property, plant and equipment with aggregate cost of HK\$9,241,000 (six months ended 30 September 2010: HK\$1,560,000). During the six months ended 30 September 2011, items of property, plant and equipment with carrying value of HK\$56,000 were disposed of (six months ended 30 September 2010: HK\$3,000).

12. AVAILABLE-FOR-SALE INVESTMENT

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Non-current portion — Unlisted equity investment in Hong Kong, at cost	67,221	—

On 28 July 2011, the Group entered into an agreement with an independent third party to acquire a 17% of equity interests in China New Media (HK) Company Limited (“China New Media”) at a consideration of HK\$70,040,000, comprising cash of HK\$25,000,000 and a promissory note of HK\$45,040,000. The consideration was determined with reference to a valuation conducted by an independent professional valuer, Ample Appraisal Limited, under the income-based approach. China New Media is principally engaged in outdoor advertising in Hong Kong, specializing in advertising spaces in lifts and outer walls of buildings. The transaction was completed on 11 August 2011 (the “Acquisition Date”).

The Directors have assessed the fair value of China New Media by applying appropriate valuation technique commonly used by market practitioners and determined that the fair value of China New Media at the Acquisition Date was approximately HK\$67,221,000.

The cost was determined by the Directors and represents the sum of the cash consideration, the fair value of the promissory note at the Acquisition Date using the effective interest method and the capitalised transaction cost.

As at 30 September 2011, the carrying amount of this unlisted equity investment was stated at cost because the variability in the range of reasonable fair value estimate was so significant that the Directors were of the opinion that their fair values would not be measured reliably.



13. INVENTORIES

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Construction materials	19,732	16,180

14. TRADE AND OTHER RECEIVABLES

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Trade receivables — current	8,237	3,026
Retention receivables	7,081	6,425
Other receivables and prepayments	7,403	5,424
Amounts due from customers for contract works (Note 15)	3,067	10,967
Deposits	1,007	937
	26,795	26,779

14. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Current	8,237	3,026
Less than 1 month past due	—	—
1 to 3 months past due	—	—
More than 3 months but less than 12 months past due	—	—
	8,237	3,026

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.

The balance of trade receivables is neither past due nor impaired.

15. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date plus recognised profits	434,252	377,190
Less: recognised losses	—	—
	434,252	377,190
Progress billings	(431,485)	(366,223)
	2,767	10,967
Amounts due from customers of contract works <i>(Note 14)</i>	3,067	10,967
Amounts due to customers of contract works <i>(Note 16)</i>	(300)	—
	2,767	10,967

16. TRADE AND OTHER PAYABLES

Details of the trade and other payables at the end of the reporting period are as follows:

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Trade payables	16,412	11,083
Retention money payables	2,353	2,237
Amounts due to customers for contract works (<i>Note 15</i>)	300	—
Advance received from customers	2,200	3,129
Amount due to a shareholder	—	145
Other payables and accruals	4,998	5,414
	26,263	22,008

The Group normally settles trade payables within a 30 days' credit term. Based on the invoice date, ageing analysis of trade payables at the end of the reporting period is as follows:

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Current or less than 1 month	12,871	8,503
1 to 3 months	3,251	2,322
More than 3 months but less than 12 months	66	35
More than 12 months	224	223
	16,412	11,083

17. LEASES

(a) Finance Leases

The Group leases a number of its motor vehicles and such leases are classified as finance leases, having remaining lease term ranged from one to four years.

At end of the reporting period, the total future lease payments are due as follows:

	As at 30 September 2011		
	Minimum lease payments (Unaudited) HK\$'000	Interest (Unaudited) HK\$'000	Present value (Unaudited) HK\$'000
Not later than one year	1,441	136	1,305
Later than one year and not later than five years	1,935	100	1,835
	3,376	236	3,140

	As at 31 March 2011		
	Minimum lease payments (Audited) HK\$'000	Interest (Audited) HK\$'000	Present value (Audited) HK\$'000
Not later than one year	797	49	748
Later than one year and not later than five years	250	6	244
	1,047	55	992

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

17. LEASES (Continued)

(b) Operating Lease – Lessee

The Group leases its office property, Director's quarter and certain office equipments 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:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Minimum lease payments	612	536

The total future minimum lease payments are due as follows:

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
	Not later than one year	766
Later than one year and not later than five years	486	394
	1,252	1,216

Pursuant to the terms of rental arrangements in respect of certain photocopying machines of the Group, Mr. Kan has provided personal guarantees in respect of the payment obligations of the Group under the rental arrangements.

18. BORROWINGS

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Interest bearing: Bank loans — on demand	4,926	2,733

As at 30 September 2011, the outstanding balance of bank loans was secured by pledged deposits of HK\$2,000,000 and a cross guarantee from a subsidiary and the Company. The bank loans, comprising term loan of approximately HK\$1,926,000 and revolving term loan of HK\$3,000,000, carried variable interest at the rate of HIBOR plus 2.5% per annum and the rate of HIBOR plus 2.25% per annum respectively. The term loan and the revolving term loan were repayable in November 2012 and October 2011 respectively. They were classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion.

At at 31 March 2011, the outstanding balance of bank loans was secured by pledged deposits of HK\$2,000,000 and a cross guarantee from a subsidiary and the Company. The bank loan carried variable interest at the rate of HIBOR plus 2.5% per annum and was repayable in November 2012. It was classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion.

19. PROMISSORY NOTE

A promissory note with a principal amount of HK\$45,040,000 were issued by the Company on 11 August 2011 (the "Issue Date") upon the completion of the acquisition of 17% of equity interests in China New Media. The promissory note is unsecured, carried interest at the rate of 3% per annum and will mature on 11 August 2014. The Company might early redeem all or part of the promissory note at any time from the Issue Date. Unless previously redeemed, the Company will redeem the promissory note on its maturity date.

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
At the beginning of period/year	—	—
Issuance of promissory note	41,660	—
Effective interest expenses for the period/year (Note 7)	334	—
Balance at end of period/year	41,994	—

19. PROMISSORY NOTE *(Continued)*

The fair value of the liability component of the promissory note was calculated using an equivalent market interest rate for an equivalent instrument. The fair value of the liability component of the promissory note at the Issue Date amounted to approximately HK\$42,968,000. The fair value is calculated using discounted cash flow method at a rate of 4.542%.

The fair value of the non-equity call option of HK\$1,308,000 was valued by Roma Appraisals Limited, an independent professional valuer, using Black-Scholes option pricing model. The inputs into the model for the value of the non-equity call option were as follows:

Aggregate principal amount	HK\$45,040,000
Aggregate redemption amount	HK\$45,040,000
Expected option life	3 years
Risk-free rate	0.3%
Expected volatility	3.534%

The whole combined financial instrument, including liability component and non-equity call option was treated as a single compound embedded financial instrument. It was initially stated at fair value and was subsequently measured at amortised cost. The fair value of the promissory note at the Issue Date amounted to approximately HK\$41,660,000. Interest expenses on the promissory notes are calculated using the effective interest method by applying effective interest rate of 5.744%.

20. SHARE CAPITAL

	Number of Shares	Nominal value HK\$'000
Authorised		
As at 31 March 2011 (Audited), 1 April 2011 and 30 September 2011 (Unaudited)	500,000,000,000	500,000
Issued and fully paid		
As at 31 March 2011 (Audited) and 1 April 2011	992,000,000	992
Issue of Shares pursuant to the placing (<i>Note</i>)	198,400,000	198
As at 30 September 2011 (Unaudited)	1,190,400,000	1,190

Note: On 21 July 2011, 198,400,000 Shares of HK\$0.001 each were issued by way of the placing at the price of HK\$0.173 per Share for cash consideration of approximately HK\$34,323,000. The premium totalling approximately HK\$34,125,000 arising from the above subscription of Shares, net of share issue expenses of approximately HK\$1,003,000, has been credited directly to the share premium account.



21. SHARE-BASED PAYMENT

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed at a Board meeting held on 11 August 2010 for the primary purpose of providing incentives or rewards to participants for their contribution to the Group. The Share Option Scheme will expire on 10 August 2020. Under the Share Option Scheme, the Board may grant options to the Directors, employees, non-executive Directors, suppliers of goods and services, customers, advisors and consultants, shareholders of the Company or any of its subsidiaries for the primary purpose of providing incentives to them, to subscribe for Shares in the Company with the payment of HK\$1 per offer.

The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of Shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the Shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 business days of the date of grant, upon payment of HK\$1 per each grant of options. Options may be exercised in whole or in part by the grantee (or his legal personal representatives) at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme. The exercise price is determined by the Directors and will not be less than the highest of the closing price of the Shares on the Stock Exchange on the date of grant, the average closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options or the nominal value of the Shares.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Shares.

21. SHARE-BASED PAYMENT *(Continued)*

On 12 August 2011, the Company granted 45,000,000 share options to certain Directors, employees and other eligible persons for HK\$1 consideration at an exercise price of HK\$0.35 per Share. Details of the share options granted by the Company pursuant to the Share Option Scheme and the share options outstanding as at 30 September 2011 were as follows:

Grantees	Date of grant (dd/mm/yy)	Exercisable period (dd/mm/yy)	Number of options				Balance at 30 September 2011
			Balance at 1 April 2011	Granted during the period	Exercised during the period	Lapsed during the period	
Directors							
Mr. Kan	12/08/11	12/08/12 to 11/08/14	—	9,900,000	—	—	9,900,000
Cheng Ka Ming, Martin ("Mr. Cheng")	12/08/11	12/08/12 to 11/08/14	—	9,900,000	—	—	9,900,000
Chia Thien Loong, Eric John ("Mr. Chia")	12/08/11	12/08/12 to 11/08/14	—	9,900,000	—	—	9,900,000
Hui Chi Kwong ("Mr. Hui")	12/08/11	12/08/12 to 11/08/14	—	1,000,000	—	—	1,000,000
In aggregate			—	30,700,000	—	—	30,700,000
Employees	12/08/11	12/08/12 to 11/08/14	—	7,000,000	—	—	7,000,000
In aggregate			—	7,000,000	—	—	7,000,000
Consultants, advisors, and other eligible participants	12/08/11	12/08/12 to 11/08/14	—	7,300,000	—	—	7,300,000
In aggregate			—	7,300,000	—	—	7,300,000
Total			—	45,000,000	—	—	45,000,000



21. SHARE-BASED PAYMENT *(Continued)*

The fair values of options granted were determined using the Black-Scholes option pricing model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

Share price at date of grant	HK\$0.35
Expected volatility	76.044%
Expected option life	2 years
Dividend yield	0.942%
Risk-free interest rate	0.174%
Exercise price at date of grant	HK\$0.35

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

In total, approximately HK\$826,000 of equity-settled share option expenses, including staff costs of approximately HK\$692,000 and consultancy fee of approximately HK\$134,000, have been included in profit or loss for the three months and six months ended 30 September 2011 (three months and six months ended 30 September 2010: Nil), the corresponding amount has been credited to share options reserves in the owners' equity. No liabilities were recognised due to share-based payment transactions.

22. RELATED PARTY TRANSACTIONS

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

Related party relationship	Type of transaction	Transaction amount			
		Six months ended 30 September		Three months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
A company that Mr. Chia, an executive Director, had material interest	Rental expenses for an office premise paid <i>(Note (i))</i>	24	24	12	12
	Service fee for announcement posting agreement	2	9	2	9
Mr. Kan, an executive Director	Shareholder's loan to the Group <i>(Note (ii))</i>	—	4,040	—	—

Notes:

(i) Rental expense was charged at a term mutually agreed between the Group and the related company.

(ii) The loan was repaid to Mr. Kan on 11 September 2010.

Mr. Kan, an executive Director and the shareholder of the Company, has provided personal guarantee to the lessors in respect of the Group's obligations under finance leases and operating leases as at each of the reporting periods as disclosed in note 17.

23. CAPITAL COMMITMENTS

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Commitments for acquisition of property, plant and equipment — Contracted for but not provided	1,311	—

24. EVENTS AFTER THE REPORTING PERIOD

- (a) The Company entered into a sale and purchase agreement dated 6 September 2011, a supplemental agreement dated 10 October 2011 and second supplemental agreement dated 26 October 2011 (collectively the “Acquisition Agreement”) with independent third parties, to acquire the entire interests in Xinhua TV Asia-Pacific Operating Co., Limited (“Xinhua TV Asia-Pacific”) which is principally engaged in the business of television broadcasting in the Asia Pacific market (excluding the People’s Republic of China (the “PRC”)) and its subsidiaries at a consideration of HK\$700,000,000, in which approximately HK\$93,000,000 will be settled by the issuance of 474,335,664 Shares on the issue price of approximately HK\$0.196 per Share and approximately HK\$607,000,000 will be settled by the issuance of the convertible notes of the Company (the “Proposed Acquisition of Xinhua TV Asia-Pacific”). Details of this transaction were set out in the announcement of the Company dated 11 October 2011. The Proposed Acquisition of Xinhua TV Asia-Pacific is subject to the fulfillment of a number of conditions and has not yet been completed up to the date of issue of this Interim Financial Statements.
- (b) On 18 October 2011, the Company cancelled a total of 45,000,000 share options granted on 12 August 2011. The share-based payment expenses of approximately HK\$6,027,000, of which approximately HK\$826,000 has already been recorded in the Interim Financial Statements, will be fully recognised in the profit or loss for the year ending 31 March 2012. Details of this cancellation were set out in the announcement of the Company dated 18 October 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 six months ended 30 September 2011, the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong.

During the six months ended 30 September 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 (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
	8/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1 — mains in Tuen Mun, Yuen Long, North District and Tai Po (the “New Subcontract”)

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

During the period under review, the two contracts with contracts numbered 9/WSD/09 and 18/WSD/08 were the main contributors to the Group’s revenue, which generated approximately HK\$27.0 million and HK\$26.7 million revenue, constituting approximately 31.3% and 31.0% of the Group’s total revenue respectively.



Capital Raising Exercise

On 8 July 2011, the Company entered into a placing agreement with the Emperor Securities Limited pursuant to which the Company agreed to place 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 of 198,400,000 New Shares”).

The Placing of 198,400,000 New Shares was completed on 21 July 2011 and raised gross proceeds of approximately HK\$34.3 million.

Financial Review

Revenue

For the six months ended 30 September 2011, the Group reported a turnover of approximately HK\$86.1 million (2010: HK\$96.3 million), representing a decrease of approximately 10.6% 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 replacement and rehabilitation of water mains stage 2 — mains in Tai Po and Fanling (contract numbered 21/WSD/06).

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\$59.0 million (2010: HK\$86.9 million), representing approximately 68.5% of the total revenue for the period (2010: 90.2%). On the other hand, the revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor amounted to approximately HK\$27.1 million (2010: HK\$9.4 million), representing approximately 31.5% of the total revenue for the period (2010: 9.8%).

Cost of Services

The Group's cost of services decreased by approximately 7.9% to approximately HK\$77.3 million for the six months ended 30 September 2011 (2010: HK\$84.0 million) as compared with that for the same period of previous year. Cost of services 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 2011 decreased by approximately 28.6% to approximately HK\$8.8 million (2010: HK\$12.3 million) as compared with that for the same period of previous year. The gross profit margin of the Group decreased slightly to approximately 10.2% for the six months ended 30 September 2011 (2010: 12.8%). 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 six months ended 30 September 2011 amounted to approximately HK\$179,000 (2010: HK\$20,000).

Administrative Expenses

The Group's administrative expenses for the six months ended 30 September 2011 increased by approximately 111.4% to approximately HK\$9.9 million (2010: HK\$4.7 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 consultancy fees and legal and professional fees for services provided by the professional parties after the Listing and business development expenses for exploration of potential new business opportunities.



Finance Costs

The Group's finance costs for the six months ended 30 September 2011 increased by approximately 92.0% to approximately HK\$478,000 (2010: HK\$249,000) as compared with that for the same period of previous year. The increase was mainly attributable to the incurrence of interest expenses for the promissory note.

Net Loss

The Group recorded a net loss attributable to owners of the Company of approximately HK\$2.5 million (2010: net profit HK\$6.3 million) for the six months ended 30 September 2011. The net loss was mainly resulted from the decrease in gross profit margin, the increase in legal and professional fees and consultancy fees in administrative expense, the incurrence of share-based payment expenses upon grant of share options and finance costs on promissory note.

Loss per Share

The basic loss per Share was approximately HK0.23 cent (2010: earning per Share of HK0.80 cent).

Capital Structure

The Shares were listed on GEM of the Stock Exchange on 30 August 2010. The capital of the Group comprises only ordinary shares.

Total equity attributable to equity holders of the Company amounted to approximately HK\$77.5 million as at 30 September 2011 (31 March 2011: HK\$45.8 million). The increase was mainly attributable to the funds raised from the Placing of 198,400,000 New Shares which amounted to approximately HK\$34.3 million before share issue costs.

Liquidity and Financial Resources

During the six months ended 30 September 2011, the Group generally financed its operations through internally generated cash flows, borrowings from bank and net proceeds from the placing upon the Listing. The Placing of 198,400,000 New Shares was intended for the general working capital and further business development of the Group.

As at 30 September 2011, the Group had net current assets of approximately HK\$37.3 million (31 March 2011: HK\$34.9 million), including cash balance of approximately HK\$23.4 million (31 March 2011: HK\$16.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.07 as at 30 September 2011 (31 March 2011: 2.31), which was maintained at a healthy level.

Gearing Ratio

The gearing ratio, which is based on the total amount of promissory note, bank borrowings, obligations under finance lease and advance received from customers divided by total assets, was 33.0% as at 30 September 2011 (31 March 2011: 9.2%). The increase was attributable to the issuance of promissory note and the increase in finance lease obligation and new bank loans raised.

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

Save as disclosed elsewhere in the Interim Financial Statements, the Group did not have any significant capital commitments (31 March 2011: Nil).

Charges on Group's Assets

As at 30 September 2011, the Group pledged a time deposit of HK\$2.0 million for a bank facility of HK\$10.0 million. The outstanding amount of the loan was approximately HK\$4.9 million at 30 September 2011. The Group's motor vehicles with net book value of approximately HK\$3.9 million (31 March 2011: HK\$1.7 million) was held under finance lease as at 30 September 2011.

Contingent Liabilities

As at 30 September 2011, the Group did not have any material contingent liabilities (31 March 2011: Nil).

Dividends

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

Information on Employees

As at 30 September 2011, the Group had 201 full-time employees in Hong Kong and over 89% of them are direct labour. Total staff costs (including Directors' remuneration) for the six months ended 30 September 2011 amounted to approximately HK\$22.2 million (2010: HK\$18.0 million), representing an increase of approximately 23.2% over that for 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 and the grant of share options.

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

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 for a consideration of approximately HK\$70.0 million upon fulfillment of certain conditions. Completion of the acquisition took place on 11 August 2011. Details of this acquisition are set out in the Company's announcement dated 28 July 2011.

Except for investment in subsidiaries and the acquisition as disclosed above, during the six months ended 30 September 2011 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 "Prospectus") of the Company dated 20 August 2010 and the announcement of the Company dated 11 October 2011 regarding the Proposed Acquisition of Xinhua TV Asia-Pacific, 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 2011, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

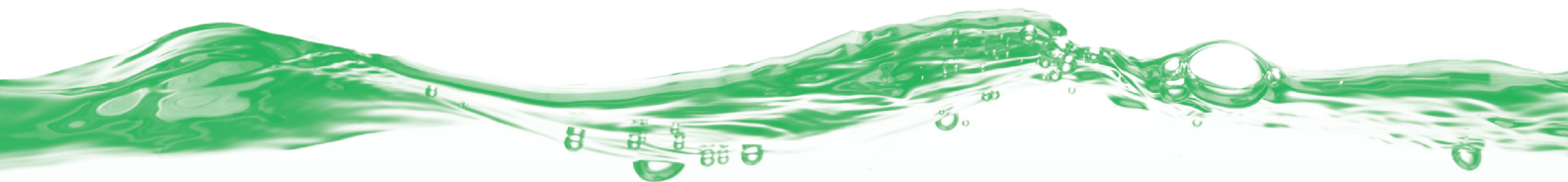
Prospects

During the six months ended 30 September 2011, the Group has obtained one new waterworks contract. On 7 October 2011, a subsidiary of the Group, Tsun Yip Civil Construction Company Limited ("TYCivil"), received a confirmation letter from the Works Branch of the Hong Kong SAR Government that it has been included in the List of Approved Contractors for Public Works (Waterworks) ("Approved List") under Group C on a probation status. As a result, TYCivil is eligible to tender for waterworks contracts with value exceeding HK\$75million ("Group C"), subject to two conditions: (1) the total number of Group C contract already held and being procured does not exceed two Group C contracts and (2) the total value of works in Group C contract(s) already held and being procured does not exceed HK\$220 million in aggregate. The inclusion of TYCivil in the Approved List under Group C enables the Group to take up contracts of a larger scale and capture more potential business opportunities.

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 Group will continue to stay focusing on the provision of waterworks engineering services and enhancing its competitiveness and at the same time, explore new business opportunity to broaden its source of income and expand the business operations.

Towards the strategy of maximizing profit and return, on 28 July 2011, a wholly-owned subsidiary of the Company has entered into a conditional agreement to acquire 17% of the issued share capital of China New Media, which is principally engaged in outdoor advertising in Hong Kong, specializing in advertising spaces in lifts and outer walls of buildings. Completion of this acquisition took place on 11 August 2011. In addition, on 6 September 2011, the Company has entered into a conditional agreement for the Proposed Acquisition of Xinhua TV Asia-Pacific, which is principally engaged in the business of television broadcasting in the Asia Pacific market (excluding the PRC). Xinhua TV Asia-Pacific has been granted the television broadcasting right from China Xinhua News Network Co., Limited.



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 2011 is set out below:

Business objectives for the six months ended 30 September 2011 as stated in the Prospectus	Actual business progress up to 30 September 2011
Expansion of business scale	
<ul style="list-style-type: none"> Acquire the equipment and machinery and recruit the project management and technical personnel required for implementation of the Prospective Projects (<i>Note a</i>) 	<ul style="list-style-type: none"> The Group has acquired certain equipment and recruit management and technical personnel for the commencement of the New Subcontract (<i>Note b</i>)
<ul style="list-style-type: none"> Implementation of the New Project and the Prospective Projects in progress (<i>Note a</i>) 	<ul style="list-style-type: none"> The Group is implementing the New Project and the New Subcontract in progress (<i>Note b</i>)
Further enhancement in work quality	
<ul style="list-style-type: none"> Implementation of the steps or procedures formulated to address the areas of improvement 	<ul style="list-style-type: none"> The Group has implemented the steps and procedures formulated to address the areas of improvement
<ul style="list-style-type: none"> Review the quality assurance policy after implementation of the aforesaid steps and procedures 	<ul style="list-style-type: none"> The Group is reviewing the quality assurance policy
<ul style="list-style-type: none"> Maintain ongoing quality assurance review on the works performed by the Group 	<ul style="list-style-type: none"> The Group is maintaining ongoing quality assurance review on the works performed
Strengthening of safety team	
<ul style="list-style-type: none"> Implementation of the steps or procedures formulated to address the areas of improvement 	<ul style="list-style-type: none"> The Group has implemented the steps or procedures formulated to address the areas of improvement
<ul style="list-style-type: none"> Review the safety policy after implementation of the aforesaid steps and procedures 	<ul style="list-style-type: none"> The Group is reviewing the safety policy

Note:

(a) According to the Prospectus, the Prospective Projects are the waterworks contracts which may be successfully obtained by the Group relating to replacement and rehabilitation of water mains with terms of around 2.5 years and estimated aggregate contract value of HK\$150.0 million from WSD.

(b) The Group has not successfully obtained the Prospective Projects but the New Subcontract has been awarded to the Group. Business objectives in relation to the Prospective Projects will be applied to the New Subcontract.



USE OF PROCEEDS

As disclosed in the Prospectus, the net proceeds from the Listing, 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 Listing, 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 2011, the net proceeds from the Listing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus during the six months ended 30 September 2011 (HK\$ million)	Actual use of proceeds during the six months ended 30 September 2011 (HK\$ million)
Expansion of business scale		
• Acquisition of equipment and machinery	2.00	2.00
• Recruitment of additional staff	1.00	1.00
Further enhancement in work quality		
• Recruitment of additional quality assurance staff	0.20	0.20
Strengthening of safety team		
• Recruitment of safety staff	0.28	0.28
Repayment of finance leases	0.54	0.54
	4.02	4.02

Note: 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.

SHARE OPTION SCHEME

The Share Option Scheme was adopted and approved by the shareholders on 11 August 2010. 45,000,000 share options have been granted pursuant to the Share Option Scheme on 12 August 2011. The detailed disclosure relating to the Share Option Scheme and valuation of the share options are set out in note 21 to the Interim Financial Statements.

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 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 and underlying Shares:

Name of Director	Number of Shares held	Number of underlying Shares under share options (Note a)			Percentage of aggregate interests to existing total issued share capital
	Interest in controlled corporation	Beneficial owner	Spouse interest	Total interests	
Mr. Kan	409,200,000 (Note b)	9,900,000	—	419,100,000	35.21%
Mr. Chia	171,120,000 (Note c)	9,900,000	180,000 (Note d)	181,200,000	15.22%
Mr. Cheng	163,680,000 (Note e)	9,900,000	—	173,580,000	14.58%
Mr. Hui	—	1,000,000	—	1,000,000	0.08%

Notes:

- (a) Details of the share options are set out in note 21 to the Interim Financial Statements.
- (b) 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.
- (c) 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.
- (d) Mr. Chia is the spouse of Ms. Wan Pui Ki and is deemed to be interested in 180,000 underlying Shares held by Ms. Wan Pui Ki under the SFO.
- (e) 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 September 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 September 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 5% 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 and underlying Shares:

Name	Number of Shares held		Number of underlying Shares under share options (Note a)		Number of underlying Shares under Acquisition Agreement (Note b)		Interest in controlled corporation	Total interests	Percentage of aggregate interests to existing total issued share capital
	Beneficial owner	Spouse interest	Beneficial owner	Spouse interest	Beneficial owner				
China Xinhua News Network Company Limited	—	—	—	—	2,500,000,000 (Note c)	—	2,500,000,000	210.01%	
中國新華新聞電視網有限公司	—	—	—	—	—	2,500,000,000 (Note c)	2,500,000,000	210.01%	
Proud Glory Investments Limited	—	—	—	—	892,857,143 (Note d)	—	892,857,143	75.00%	
Lee Yuk Lun	—	—	—	—	—	892,857,143 (Note d)	892,857,143	75.00%	
Lam Shun Kiu, Rosita	—	409,200,000 (Note e)	—	9,900,000 (Note e)	—	—	419,100,000	35.21%	



Name	Number of Shares held		Number of underlying Shares under share options (Note a)		Number of underlying Shares under Acquisition Agreement (Note b)		Interest in controlled corporation	Total interests	Percentage of aggregate interests to existing total issued share capital
	Beneficial owner	Spouse interest	Beneficial owner	Spouse interest	Beneficial owner				
Shunleetat (BVI) Limited	409,200,000 (Note e)	—	—	—	—	—	—	409,200,000	34.38%
Wan Pui Ki	—	171,120,000 (Note f)	180,000	9,900,000	—	—	—	181,200,000	15.22%
APT Satellite TV Development Limited	—	—	—	—	178,571,429 (Note g)	—	—	178,571,429	15.00%
APT Satellite Holdings Limited	—	—	—	—	—	178,571,429 (Note g)	—	178,571,429	15.00%
APT Satellite International Company Limited	—	—	—	—	—	178,571,429 (Note g)	—	178,571,429	15.00%
中國航天科技集團公司	—	—	—	—	—	178,571,429 (Note g)	—	178,571,429	15.00%
中國衛星通信集團有限公司	—	—	—	—	—	178,571,429 (Note g)	—	178,571,429	15.00%
Chuwei (BVI) Limited	163,680,000 (Note h)	—	—	—	—	—	—	163,680,000	13.75%
Lotawater (BVI) Limited	93,000,000 (Note f)	—	—	—	—	—	—	93,000,000	7.81%
Purplelight (BVI) Limited	78,120,000 (Note f)	—	—	—	—	—	—	78,120,000	6.56%



Notes:

- (a) Details of the share options are set out in note 21 to the Interim Financial Statements.
- (b) Details of the Acquisition Agreement are set out in the announcement of the Company dated 11 October 2011.
- (c) China Xinhua News Network Company Limited is wholly and beneficially owned by 中國新華新聞電視網有限公司. Accordingly, 中國新華新聞電視網有限公司 is deemed to be interested in the 2,500,000,000 underlying Shares held by China Xinhua News Network Company Limited under the SFO.
- (d) Proud Glory Investments Limited is wholly and beneficially owned by Mr. Lee Yuk Lun. Accordingly, Mr. Lee Yuk Lun is deemed to be interested in the 892,857,143 underlying Shares held by Proud Glory Investments Limited.
- (e) 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 and 9,900,000 underlying Shares held by Mr. Kan under the SFO.
- (f) 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 and 9,900,000 underlying Shares held by Mr. Chia under the SFO. And Mr. Chia is deemed to be interested in the 180,000 underlying Shares held by Ms. Wan Pui Ki under the SFO.
- (g) APT Satellite Holdings Limited, APT Satellite International Company Limited, 中國航天科技集團公司 and 中國衛星通信集團有限公司 are controlling shareholders, either directly or indirectly, of APT Satellite TV Development Limited. Accordingly, APT Satellite Holdings Limited, APT Satellite International Company Limited, 中國航天科技集團公司 and 中國衛星通信集團有限公司 are deemed to be interested in the 178,571,429 underlying Shares held by APT Satellite TV Development Limited under the SFO.
- (h) 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.

Saved as disclosed above, as at 30 September 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 5% 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 six months ended 30 September 2011.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

During the six months ended 30 September 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 September 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 six months ended 30 September 2011, none of the Directors 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 six months ended 30 September 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 and their respective associates has any other conflict of interests with the Group during the six months ended 30 September 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 six months ended 30 September 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 six months ended 30 September 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 September 2011, 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 six months ended 30 September 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
Hui Chi Kwong
Executive Director

Hong Kong, 7 November 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